

**TOWN OF NATICK, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2019**



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## INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen  
Town of Natick, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of and for the year ended June 30, 2019 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2018), and the related notes to the financial statements, which collectively comprise the Town of Natick, Massachusetts' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Institute, the sole discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts for the Institute, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Institute, the sole discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Qualified Opinion on Discretely Presented Component Unit***

As more fully described in Note 1, the financial statements of the Institute were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net position and revenues of the Institute has not been determined.

***Qualified Opinion***

In our opinion, based on the report of the other auditor and as described in the "Basis for Qualified Opinion on Discretely Presented Component Unit" paragraph, the financial statements of the Institute presents fairly, in all material respects, the financial position of the Institute as of June 30, 2019, and the change in financial position for the year then ended in conformity with the cash basis of accounting.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of June 30, 2019 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2018), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

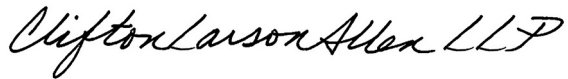
***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 75 through 83) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Board of Selectmen  
Town of Natick, Massachusetts

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2020, on our consideration of the Town of Natick, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Natick, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Natick, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
May 12, 2020

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

As management of the Town of Natick, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$39,034,056 (net deficit). The Town's governmental activities have an unrestricted net deficit of \$226,590,910 and its business-type activities unrestricted net deficit totaled \$730,875.
- The Town's total net position decreased by \$4,359,679.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$145,723,675 an increase of approximately \$80,000,000 in comparison with the prior year. Approximately \$22,906,149 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$24,151,854, or approximately 15% of total general fund expenditures and transfers out.
- The Town's total bonded debt increased by \$81,656,340 during the fiscal year. The Town issued \$86,885,000 of new debt during the year.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water and sewer and golf course operations.

The government-wide financial statements can be found on pages 14-16 of this report.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.



**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The Town maintains 492 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and Kennedy Middle School fund, which are considered to be major funds. Data from the other 490 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Proprietary Funds**

The Town maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer and golf course operations. The water and sewer enterprise fund is considered to be major fund, while the golf course enterprise fund is considered nonmajor.

The basic proprietary funds financial statements can be found on pages 21-23 of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-74 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post-employment benefit information, which can be found on pages 75-83.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Government-Wide Financial Analysis**

The following tables present current and prior year data on the government-wide financial statements.

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$39,034,056 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current Assets	\$ 167,446,772	\$ 84,102,381	\$ 15,409,256	\$ 17,623,396	\$ 182,856,028	\$ 101,725,777
Noncurrent Assets (Excluding Capital Assets)	523,841	351,055	994,147	992,503	1,517,988	1,343,558
Capital Assets (Net)	206,645,163	198,509,326	42,414,386	38,656,773	249,059,549	237,166,099
Total Assets	<u>374,615,776</u>	<u>282,962,762</u>	<u>58,817,789</u>	<u>57,272,672</u>	<u>433,433,565</u>	<u>340,235,434</u>
<b>Deferred Outflows of Resources</b>	<u>18,328,113</u>	<u>10,531,945</u>	<u>616,807</u>	<u>349,363</u>	<u>18,944,920</u>	<u>10,881,308</u>
<b>Liabilities</b>						
Current Liabilities (Excluding Debt)	24,037,981	20,157,822	1,049,074	618,108	25,087,055	20,775,930
Noncurrent Liabilities (Excluding Debt)	262,995,089	257,403,343	8,367,397	8,152,722	271,362,486	265,556,065
Current Debt	10,881,987	7,255,147	2,244,548	2,430,973	13,126,535	9,686,120
Noncurrent Debt	144,377,055	65,180,166	14,795,113	14,953,077	159,172,168	80,133,243
Total Liabilities	<u>442,292,112</u>	<u>349,996,478</u>	<u>26,456,132</u>	<u>26,154,880</u>	<u>468,748,244</u>	<u>376,151,358</u>
<b>Deferred Inflows of Resources</b>	<u>21,985,191</u>	<u>9,315,530</u>	<u>679,106</u>	<u>324,231</u>	<u>22,664,297</u>	<u>9,639,761</u>
<b>Net Position</b>						
Net Investment in Capital Assets	136,955,155	129,612,033	33,030,233	29,989,650	169,985,388	159,601,683
Restricted	18,302,341	16,348,046	-	-	18,302,341	16,348,046
Unrestricted	(226,590,910)	(211,777,380)	(730,875)	1,153,274	(227,321,785)	(210,624,106)
Total Net Position	<u>\$ (71,333,414)</u>	<u>\$ (65,817,301)</u>	<u>\$ 32,299,358</u>	<u>\$ 31,142,924</u>	<u>\$ (39,034,056)</u>	<u>\$ (34,674,377)</u>

The largest portion of the Town's net position (\$169,985,388) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, leasehold improvements, buildings, machinery and equipment, vehicles, library books and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (\$18,302,341) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$227,321,785. Of this amount (\$730,875) represents an unrestricted net deficit in business-type activities and (\$226,590,910) represents an unrestricted net deficit in governmental activities.

At the end of the current fiscal year, the Town reports positive balances in each category of net position for business-type activities except for unrestricted net position. For governmental activities, positive balances are reported in each category except for unrestricted net position. Such resources have been consumed with the recognition of other postemployment benefit liabilities and net pension liability.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

***Changes in Net Position***

For the fiscal year ended June 30, 2019, the Town's total net position decreased by \$4,359,679, compared to a decrease of \$3,737,161 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 15,045,039	\$ 14,161,906	\$ 15,912,882	\$ 15,655,562	\$ 30,957,921	\$ 29,817,468
Operating Grants and Contributions	31,202,616	30,419,798	185,646	95,600	31,388,262	30,515,398
Capital Grants and Contributions	3,643,945	3,797,880	726,750	-	4,370,695	3,797,880
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	112,097,540	107,440,410	-	-	112,097,540	107,440,410
Motor Vehicle and Other Excise Taxes	5,834,457	5,661,959	-	-	5,834,457	5,661,959
Hotel/Motel Taxes	1,495,581	1,486,764	-	-	1,495,581	1,486,764
Penalties and Interest on Taxes	333,529	428,117	-	-	333,529	428,117
Payments in Lieu of Taxes	37,772	41,037	-	-	37,772	41,037
Grants and Contributions not Restricted to Specific Programs	5,219,989	4,958,029	-	-	5,219,989	4,958,029
Unrestricted Investment Income	1,651,406	590,665	-	-	1,651,406	590,665
Gain on Disposal of Assets	-	-	-	-	-	-
<b>Total Revenues</b>	<b>176,561,874</b>	<b>168,986,565</b>	<b>16,825,278</b>	<b>15,751,162</b>	<b>193,387,152</b>	<b>184,737,727</b>
<b>Expenses</b>						
General Government	10,439,433	9,676,515	-	-	10,439,433	9,676,515
Public Safety	29,970,804	27,027,917	-	-	29,970,804	27,027,917
Education	112,312,512	110,934,195	-	-	112,312,512	110,934,195
Public Works	16,783,973	15,143,866	-	-	16,783,973	15,143,866
Health and Human Services	4,261,779	4,024,063	-	-	4,261,779	4,024,063
Culture and Recreation	3,097,343	2,850,768	-	-	3,097,343	2,850,768
Library	3,144,719	2,972,314	-	-	3,144,719	2,972,314
Debt Service - Interest	4,059,445	2,368,720	-	-	4,059,445	2,368,720
Water and Sewer	-	-	12,953,958	12,562,495	12,953,958	12,562,495
Golf	-	-	722,865	932,034	722,865	932,034
<b>Total Expenses</b>	<b>184,070,008</b>	<b>174,998,358</b>	<b>13,676,823</b>	<b>13,494,529</b>	<b>197,746,831</b>	<b>188,492,887</b>
Change in Net Position Before Transfers	(7,508,134)	(6,011,793)	3,148,455	2,256,633	(4,359,679)	(3,755,160)
Transfers, Net	1,992,021	1,914,583	(1,992,021)	(1,914,583)	-	-
Change in Net Position	(5,516,113)	(4,097,210)	1,156,434	342,050	(4,359,679)	(3,755,160)
Net Position - Beginning of Year	(65,817,301)	(61,720,091)	31,142,924	30,800,874	(34,674,377)	(30,919,217)
Net Position - End of Year	<u>\$ (71,333,414)</u>	<u>\$ (65,817,301)</u>	<u>\$ 32,299,358</u>	<u>\$ 31,142,924</u>	<u>\$ (39,034,056)</u>	<u>\$ (34,674,377)</u>

Governmental activities decreased the Town's net position by \$5,516,113. In the prior year, governmental activities decreased the Town's net position by \$4,097,210. The key element of this change is in the increase in pension expense.

Business-type activities increased the Town's net position by \$1,156,434. In the prior year, business-type activities increased the Town's net position by \$342,050. The key element of this change is an increase in capital contributions of approximately \$700,000.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

***Fund Financial Statement Analysis***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$145,723,675, an increase of approximately \$80,000,000 in comparison with the prior year. Approximately 16% of this total amount (\$22,906,149) represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$15,324)
- Restricted (\$104,250,432)
- Committed (\$17,577,483)
- Assigned (\$974,287)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$24,141,854 while total fund balance was \$47,243,801. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 15% of total general fund expenditures and transfers out, while total fund balance represents 30% of that same amount.

The balance of the Town's general fund decreased by \$565,339 during fiscal year 2019. The Town recognized an approximate \$17,714,000 budgetary surplus (excluding encumbrances and continuing appropriations), and anticipated utilizing approximately \$16,610,000 of reserves during year.

***Proprietary Funds***

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer and deficit of the golf course enterprise funds at the end of the year amounted to (\$304,866) and (\$426,009), respectively. The water and sewer enterprise fund had an increase in net position for the year totaling \$949,396. The golf course enterprise fund had an increase in net position for the year totaling \$207,038. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**General Fund Budgetary Highlights**

The original general fund budget of \$147,128,014 was increased by \$8,393,304 (5.7%) during the year.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The following table summarizes the increase:

Purpose of Increase/Decrease	Amount	Funding Source
Transfer to Capital Stabilization	\$ 2,400,000	Unassigned Fund Balance
Transfer to Operational Stabilization	750,000	Unassigned Fund Balance
Transfer to OPEB Trust	441,723	Unassigned Fund Balance
Transfer to McDaniel Family Trust	36,622	Unassigned Fund Balance
Increase for Capital Articles	5,836,149	Stabilization Fund/Unassigned Fund Balance
Contract Settlements	134,000	Tax Levy
Finance Expenditures	52,500	Tax Levy
Affordable Housing Trust Expenditures	30,000	Tax Levy
Insurance and Benefit Expenditures	25,000	Tax Levy
Selectment Salaries	18,259	Tax Levy
DPW Administration Salaries	13,176	Tax Levy
Reduction of Debt Service Budget	(1,694,125)	Tax Levy
Legal Settlement	350,000	Unassigned Fund Balance
Total Net Increase	<u>\$ 8,393,304</u>	

During the year, general fund revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$5,992,000.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$249,059,549 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, leasehold improvements, buildings, machinery and equipment, vehicles, library books and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$11,893,450 or 5.0%.

Major capital asset events that occurred during the current fiscal year include the following:

- Governmental Activity – Kennedy Middle School Design and Engineering (Approx. \$8,000,000)
- Governmental Activity – Cottage Street Roadway Improvements (Approx. \$2,200,000)
- Governmental Activity – East Park Field Reconstruction (Approx. \$2,300,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 17,250,386	\$ 17,250,386	\$ 1,053,254	\$ 1,053,254	\$ 18,303,640	\$ 18,303,640
Construction in Progress	13,166,320	7,181,310	3,063,065	2,337,631	16,229,385	9,518,941
Land Improvements	6,591,960	4,058,948	1,147,876	1,247,736	7,739,836	5,306,684
Leasehold Improvements	533,491	533,491	-	-	533,491	533,491
Buildings	120,880,380	125,881,148	699,655	723,442	121,580,035	126,604,590
Machinery and Equipment	5,451,532	5,036,315	853,166	635,771	6,304,698	5,672,086
Vehicles	3,998,283	4,763,749	815,063	920,876	4,813,346	5,684,625
Library Books	1,061,236	1,024,130	-	-	1,061,236	1,024,130
Infrastructure	37,711,575	32,779,849	34,782,307	31,738,063	72,493,882	64,517,912
Total Capital Assets	<u>\$ 206,645,163</u>	<u>\$ 198,509,326</u>	<u>\$ 42,414,386</u>	<u>\$ 38,656,773</u>	<u>\$ 249,059,549</u>	<u>\$ 237,166,099</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 47-49 of this report.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Long-Term Debt**

At the end of the current fiscal year, total bonded debt outstanding was \$171,258,703, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 154,115,799	\$ 72,311,871	\$ 14,660,521	\$ 14,562,387	\$ 168,776,320	\$ 86,874,258
MWRA Notes	-	-	395,640	328,755	395,640	328,755
MCWT Notes	103,243	123,442	1,983,500	2,275,908	2,086,743	2,399,350
Total Bond and Notes	<u>\$ 154,219,042</u>	<u>\$ 72,435,313</u>	<u>\$ 17,039,661</u>	<u>\$ 17,167,050</u>	<u>\$ 171,258,703</u>	<u>\$ 89,602,363</u>

The Town's total bonded debt increased by \$81,656,340 (91.1%) during the current fiscal year. The Town issued \$86,885,000 of new debt during the year.

The Town received an AAA rating from Standard & Poor's for its most recent issuance of long-term debt on January 29, 2020.

Additional information on the Town's long-term debt can be found in Note 9 on pages 52-55 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The Town of Natick is committed to targeted and sustainable economic development to ensure the future of Natick's strong commercial and industrial tax base. Through the leadership of the Board of Selectmen, the Economic Development Committee ("EDC") and the Department of Community and Economic Development ("CED"), the Town focuses on numerous activities to promote and strengthen the local business environment, seeking to accomplish the following objectives:

- Leverage Natick's resources and location to attract business and private investment to Natick that maximizes tax revenue and provides diverse employment opportunities;
- Promote utilization and modernization of existing infrastructure and facilities to the fullest extent possible;
- Recognize and work to address neighborhood and community issues and concerns to ensure the preservation of neighborhood character and quality of life;
- Identify and plan for changing market trends and opportunities; and,
- Market Natick for sustainable and diversified economic development through strategic partnerships and initiatives.

Natick continued its trend of continued, sustainable economic growth for Fiscal Year 2019. As in past years, the Town permitted a growing number of large private projects adding to Natick's tax base and generating well-paying jobs for residents. Over 2063 building permits were issued in 2018 with a total valuation of \$112,682,267. The development included:

- The new Exponent east coast headquarters was completed in 2019. The 60,000 square foot new state of the art building is three times larger than Exponent's previous Natick office and will allow the company to expand laboratory capabilities and over time grow to a staff of approximately 200.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

- The expansion of the ABI Labs into a second building with 65,000 square feet of bio-tech/life sciences incubator space.
- Natick Center, the heart of the community continues to thrive with the proposed Natick Mercantile Building which will have 44 residential units and 4,000 square feet of commercial space.

The Town advanced multiple key infrastructure projects in 2019, and continues to thoughtfully invest in its infrastructure and provide amenities for vibrant neighborhoods:

- The Route 27 North Main Street corridor, which begins construction in the Spring of 2020 with nearly \$14+ million in federal and state construction funding. This project will reconstruct a primary north-south transportation corridor in Town, complete with new sidewalks, storm drains and bike lanes. The Town paid for engineering and design of the project.
- The start of the construction of the Cochituate Rail Trail (CRT) – a 2.5 mile linear park connecting the heart of Natick Center and Commuter Rail station to key population and employment centers, including The MathWorks Lakeside Campus (est. 2,000+ employees), the corporate headquarters of TJX Companies (est. 4,000 employees), and the Natick Mall among others, as well as nearly 800 newly constructed housing units. Nearly 1/4 of Natick's population lives within ½ mile of the CRT.
- The design of a new, fully accessible, MBTA commuter rail station for downtown Natick with \$40 million worth of infrastructure improvements.
- The southern section of Route 27, South Main Street is also scheduled for improvements. Bids are scheduled to be opened shortly with an estimated \$4 million of construction commencing in the Spring of 2020.

The Town is also committed to long range planning work in order to ensure the future of Natick's economic strength. 2019 saw the advancement of several key planning initiatives, including:

- The completion of the Natick 2030+ Comprehensive Master Plan, which is the first town-wide master plan since early 1970s. The plan creates a shared 10-20 year vision for Natick with an active implementation strategy outlining how to realize that vision.
- The completion of the Golden Triangle Study, in partnership with the City of Framingham, which is a targeted land use and mobility plan for the Exit 13/Speen/Rt. 30 area of Town. The Golden Triangle is home to some of the region's largest employers and taxpayers, including TJX, Natick Mall, Shoppers World (Framingham), MathWorks' new Lakeside Campus, and many other retail and commercial destinations.
- The Natick Center Placemaking study, in partnership with the Metropolitan Area Planning Counsel and the National Foundation for the Arts, will culminate with the installation of several public art installations and recommended way-finding improvements to Natick Center.

Natick remains a leader in the MetroWest market for job growth and new development. The strong and growing commercial and retail sector combined with the community's foresight to invest in planning for the future, has put the Town in a strong position to capitalize on its assets to ensure commercial diversity and sustainable business growth.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

Natick's new growth for FY 2019 rebounded from FY 2018 and continued an overall strong trend with the DOR certifying \$1,545,185 in total new growth to the Town's levy limit. Other indicators also reflected Natick's strong economic performance; free cash was certified at \$6,576,906, State Aid increased by 2.58% in FY19, Chapter 70 and Unrestricted General Government Aid revenue increased slightly and, local receipts increased moderately in FY 2019 and are expected to be stable over the period of FY 2020-FY 2022. Indirects are proposed to remain the same or increase slightly for the three year period. Finally, the Capital Stabilization Fund, using revenues generated from local option taxes, will continue to support new cash capital projects reducing the need for additional debt.

For FY 2020 the Town Administrator proposed a balanced budget. Paced by a 4.4% proposed increase in the School Department budget, and an 7% increase in pension costs, Town administration relied upon increased investment income, cost saving measures and the use of free cash to present a balanced budget.

While management is optimistic about the economic growth for Natick in the upcoming years, future forecasts indicate that demand for services may begin to outweigh the ability to pay for all services. Further service level improvements to meet the ever changing needs of the residents will be difficult as the Town faces growing financial challenges. Increasing healthcare costs for both employees and retirees, pension costs, OPEB liabilities are just a few of the issues that will face the Town in the very near future.

There will also be an ongoing need to rebuild reserves while also meeting the responsibility to minimize the impact of the taxpayer. The structural imbalance in the past couple of budgets will continue to occur, forcing the town to rely on one time funding and budget cuts to balance its budget. In order to address this issue, long range forecasting must be utilized in all budget processes.

On March 10, 2020 the Governor of the Commonwealth of Massachusetts declared a state of emergency due to the outbreak of the virus COVID-19. Pursuant to that order, the Town has closed all public buildings to the public. The School Department has closed all schools for the remainder of the year. Designated essential employees who perform critical services for the Town remain on the job. The Town has worked with municipal Unions to set up telecommuting and flexible job assignments to let the employees who are not designated as essential work from home.

Town Meeting has been delayed due to the restrictions on group meetings in place due to the Governor's emergency orders and while currently scheduled for May 12, 2020, there is a possibility that it will be delayed past the start of the fiscal year, June 30th. In that case the Town will adopt a month to month budget of 1/12 of the FY 20 budget, as provided for by special legislation, until Town Meeting can be conveyed and a FY 21 budget adopted.

Real Estate and Excise tax revenue was strong through the end of March. Unfortunately, Local meals and hotel taxes fell by 21% for the 3rd quarter. Sluggish local meals and hotel taxes coupled with uncertainty with State Aid to municipalities, have forced the Town to revisit its FY 21 proposed budget in light of the adjusted revenue forecast.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 13 East Central Street, Natick, Massachusetts 01760.



**TOWN OF NATICK, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Morse Institute
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 45,381,441	\$ 3,479,866	\$ 48,861,307	\$ 570,545
Restricted Cash and Cash Equivalents	100,118,643	7,655,508	107,774,151	-
Investments	8,918,700	1,028,740	9,947,440	2,265,257
Restricted Investments	4,398,346	-	4,398,346	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	1,436,632	-	1,436,632	-
Tax, Trash, and Utility Liens	2,401,837	237,703	2,639,540	-
Motor Vehicle and Other Excise Taxes	473,918	-	473,918	-
User Charges	-	3,972,976	3,972,976	-
Special Assessments	8,280	121,083	129,363	-
Departmental and Other	331,977	-	331,977	-
Intergovernmental	2,876,998	-	2,876,998	-
Internal Balances	1,100,000	(1,100,000)	-	-
Inventory	-	13,380	13,380	-
Total Current Assets	167,446,772	15,409,256	182,856,028	2,835,802
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate Tax Deferrals	463,495	-	463,495	-
Special Assessments	60,346	937,095	997,441	-
Intergovernmental	-	57,052	57,052	-
Capital Assets not being Depreciated	30,416,706	4,116,319	34,533,025	-
Capital Assets, Net of Accumulated Depreciation	176,228,457	38,298,067	214,526,524	-
Total Noncurrent Assets	207,169,004	43,408,533	250,577,537	-
Total Assets	374,615,776	58,817,789	433,433,565	2,835,802
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	13,259,926	461,501	13,721,427	-
OPEB Related	5,068,187	155,306	5,223,493	-
Total Deferred Outflows of Resources	18,328,113	616,807	18,944,920	-
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants Payable	4,380,974	620,950	5,001,924	-
Accrued Payroll	10,792,873	81,621	10,874,494	-
Tax Refunds Payable	719,495	-	719,495	-
Other Liabilities	369,092	-	369,092	-
Accrued Interest	2,398,044	191,197	2,589,241	-
Capital Lease Obligations	67,112	-	67,112	-
Workers' Compensation Claims	25,861	-	25,861	-
Landfill Post-Closure	34,043	-	34,043	-
Compensated Absences	182,300	-	182,300	-
Total OPEB Liability	5,068,187	155,306	5,223,493	-
BAN Payable	1,040,000	-	1,040,000	-
Bonds and Notes Payable	9,841,987	2,244,548	12,086,535	-
Total Current Liabilities	34,919,968	3,293,622	38,213,590	-
Noncurrent Liabilities:				
Capital Lease Obligations	210,742	-	210,742	-
Workers' Compensation Claims	25,861	-	25,861	-
Landfill Post-Closure	238,301	-	238,301	-
Compensated Absences	1,640,701	-	1,640,701	-
Net Pension Liability	89,689,115	3,121,557	92,810,672	-
Total OPEB Liability	171,190,369	5,245,840	176,436,209	-
Bonds and Notes Payable	144,377,055	14,795,113	159,172,168	-
Total Noncurrent Liabilities	407,372,144	23,162,510	430,534,654	-
Total Liabilities	442,292,112	26,456,132	468,748,244	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Collected in Advance	297,704	-	297,704	-
Pension Related	3,492,101	121,539	3,613,640	-
OPEB Related	18,195,386	557,567	18,752,953	-
Total Deferred Inflows of Resources	21,985,191	679,106	22,664,297	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	136,955,155	33,030,233	169,985,388	-
Restricted for:				
Other Post Employment Benefits	3,948,306	-	3,948,306	-
Conservation Commission	88,475	-	88,475	-
Infrastructure	1,142,316	-	1,142,316	-
Special Education	1,993,523	-	1,993,523	-
Debt Service	1,206,972	-	1,206,972	-
Permanent Funds:				
Expendable	286,102	-	286,102	-
Nonexpendable	15,324	-	15,324	1,179,383
Other Specific Purposes	9,621,323	-	9,621,323	-
Unrestricted	(226,590,910)	(730,875)	(227,321,785)	1,656,419
Total Net Position	\$ (71,333,414)	\$ 32,299,358	\$ (39,034,056)	\$ 2,835,802

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 10,439,433	\$ 1,253,517	\$ 1,065,505	\$ 28,800	\$ (8,091,611)
Public Safety	29,970,804	3,825,066	339,302	-	(25,806,436)
Education	112,312,512	6,494,957	29,005,461	3,615,145	(73,196,949)
Public Works	16,783,973	1,764,850	4,281	-	(15,014,842)
Health and Human Services	4,261,779	341,332	567,206	-	(3,353,241)
Culture and Recreation	3,097,343	1,328,454	218,380	-	(1,550,509)
Library	3,144,719	36,863	685	-	(3,107,171)
Debt Service-Interest	4,059,445	-	1,796	-	(4,057,649)
Total Governmental Activities	184,070,008	15,045,039	31,202,616	3,643,945	(134,178,408)
Business-Type Activities:					
Water and Sewer	12,953,958	15,210,580	184,174	726,750	3,167,546
Golf	722,865	702,302	1,472	-	(19,091)
Total Business-Type Activities	13,676,823	15,912,882	185,646	726,750	3,148,455
Total Primary Governments	197,746,831	30,957,921	31,388,262	4,370,695	(131,029,953)
<b>Component Units:</b>					
Morse Institute	\$ 190,512	\$ 8,509	\$ 451,869	\$ -	\$ 269,866

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>CHANGES IN NET POSITION</b>				
Net (Expense) Revenue (From Previous Page)	<u>\$ (134,178,408)</u>	<u>\$ 3,148,455</u>	<u>\$ (131,029,953)</u>	<u>\$ 269,866</u>
General Revenues:				
Real Estate and Personal Property Taxes	112,097,540	-	112,097,540	-
Motor Vehicle and Other Excise Taxes	5,834,457	-	5,834,457	-
Hotel/Motel Taxes	1,495,581	-	1,495,581	-
Penalties and Interest on Taxes	333,529	-	333,529	-
Payments in Lieu of Taxes	37,772	-	37,772	-
Grants and Contributions Not Restricted to Specific Programs	5,219,989	-	5,219,989	-
Unrestricted Investment Income	1,651,406	-	1,651,406	-
Transfers, Net	<u>1,992,021</u>	<u>(1,992,021)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers	<u>128,662,295</u>	<u>(1,992,021)</u>	<u>126,670,274</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(5,516,113)	1,156,434	(4,359,679)	269,866
Net Position - Beginning of Year	<u>(65,817,301)</u>	<u>31,142,924</u>	<u>(34,674,377)</u>	<u>2,565,936</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ (71,333,414)</u></u>	<u><u>\$ 32,299,358</u></u>	<u><u>\$ (39,034,056)</u></u>	<u><u>\$ 2,835,802</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

<b>ASSETS</b>	<b>General</b>	<b>Kennedy Middle School</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and Cash Equivalents	\$ 45,381,441	\$ -	\$ -	\$ 45,381,441
Investments	8,918,700	-	-	8,918,700
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	1,436,632	-	-	1,436,632
Real Estate Tax Deferrals	463,495	-	-	463,495
Tax and Trash Liens	2,401,837	-	-	2,401,837
Motor Vehicle and Other Excise Taxes	473,918	-	-	473,918
Special Assessments	13,237	-	55,389	68,626
Departmental and Other	331,977	-	-	331,977
Intergovernmental	-	1,898,034	978,964	2,876,998
Due from Other Funds	1,100,000	-	-	1,100,000
Restricted Assets:				
Cash and Cash Equivalents	1,054,454	60,620,132	38,444,057	100,118,643
Investments	3,495,723	-	902,623	4,398,346
Total Assets	<u>\$ 65,071,414</u>	<u>\$ 62,518,166</u>	<u>\$ 40,381,033</u>	<u>\$ 167,970,613</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants Payable	\$ 1,718,802	\$ 1,616,192	\$ 1,045,980	\$ 4,380,974
Accrued Payroll	10,131,109	-	661,764	10,792,873
Tax Refunds Payable	719,495	-	-	719,495
Other Liabilities	369,092	-	-	369,092
Short-Term Notes Payable	-	-	1,040,000	1,040,000
Total Liabilities	<u>12,938,498</u>	<u>1,616,192</u>	<u>2,747,744</u>	<u>17,302,434</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Collected in Advance	297,704	-	-	297,704
Unavailable Revenue	4,591,411	-	55,389	4,646,800
Total Deferred Inflows of Resources	<u>4,889,115</u>	<u>-</u>	<u>55,389</u>	<u>4,944,504</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	15,324	15,324
Restricted	4,550,177	60,901,974	38,798,281	104,250,432
Committed	17,577,483	-	-	17,577,483
Assigned	974,287	-	-	974,287
Unassigned	24,141,854	-	(1,235,705)	22,906,149
Total Fund Balances	<u>47,243,801</u>	<u>60,901,974</u>	<u>37,577,900</u>	<u>145,723,675</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 65,071,414</u>	<u>\$ 62,518,166</u>	<u>\$ 40,381,033</u>	<u>\$ 167,970,613</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019**

	General	Kennedy Middle School	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ 110,970,960	\$ -	\$ -	\$ 110,970,960
Motor Vehicle and Other Excise Taxes	5,695,535	-	-	5,695,535
Hotel/Motel Tax	1,495,581	-	-	1,495,581
Tax and Trash Liens	451,374	-	-	451,374
Payments in Lieu of Taxes	37,772	-	-	37,772
Trash Disposal	1,130,631	-	-	1,130,631
Intergovernmental	28,820,752	3,615,145	6,474,119	38,910,016
Special Assessments	3,676	-	9,984	13,660
Penalties and Interest on Taxes	333,529	-	-	333,529
Licenses and Permits	2,992,077	-	-	2,992,077
Fines and Forfeitures	104,982	-	-	104,982
Departmental and Other	2,177,887	-	9,161,313	11,339,200
Contributions	-	-	320,765	320,765
Investment Income	1,946,954	-	65,279	2,012,233
Total Revenues	<u>156,161,710</u>	<u>3,615,145</u>	<u>16,031,460</u>	<u>175,808,315</u>
<b>EXPENDITURES</b>				
Current:				
General Government	7,280,968	-	1,000,473	8,281,441
Public Safety	17,639,562	-	1,073,199	18,712,761
Education	81,052,367	7,729,531	10,216,027	98,997,925
Public Works	12,027,238	-	6,248,871	18,276,109
Health and Human Services	1,884,459	-	430,154	2,314,613
Culture and Recreation	676,614	-	1,423,946	2,100,560
Library	2,357,015	-	45,849	2,402,864
Pension Benefits	9,410,887	-	-	9,410,887
Employee Benefits	14,919,431	-	-	14,919,431
Property and Liability Insurance	742,467	-	-	742,467
State and County Charges	1,507,563	-	-	1,507,563
Debt Service:				
Principal	7,058,069	-	-	7,058,069
Interest	2,351,659	-	-	2,351,659
Total Expenditures	<u>158,908,299</u>	<u>7,729,531</u>	<u>20,438,519</u>	<u>187,076,349</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,746,589)</u>	<u>(4,114,386)</u>	<u>(4,407,059)</u>	<u>(11,268,034)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Bonds and Notes	-	57,217,000	24,368,000	81,585,000
Premium from Issuance of Bonds and Notes	-	6,633,000	1,012,000	7,645,000
Transfers In	2,487,872	-	36,622	2,524,494
Transfers Out	(306,622)	-	(225,851)	(532,473)
Total Other Financing Sources (Uses)	<u>2,181,250</u>	<u>63,850,000</u>	<u>25,190,771</u>	<u>91,222,021</u>
<b>NET CHANGE IN FUND BALANCES</b>	(565,339)	59,735,614	20,783,712	79,953,987
Fund Balances - Beginning of Year	<u>47,809,140</u>	<u>1,166,360</u>	<u>16,794,188</u>	<u>65,769,688</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 47,243,801</u>	<u>\$ 60,901,974</u>	<u>\$ 37,577,900</u>	<u>\$ 145,723,675</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Total Governmental Fund Balances	\$ 145,723,675
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	206,645,163
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	4,646,800
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(2,398,044)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and Notes Payable, Net	(154,219,042)
Capital Lease Obligations	(277,854)
Workers' Compensation Claims	(51,722)
Landfill Post-Closure	(272,344)
Compensated Absences	(1,823,001)
Net Pension Liability	(89,689,115)
Total OPEB Liability	(176,258,556)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to pensions and OPEB. This amount represents the net deferrals.	<u>(3,359,374)</u>
Net Position of Governmental Activities	<u><u>\$ (71,333,414)</u></u>

**TOWN OF NATICK, MASSACHUSETTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$ 79,953,987
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital Outlays	17,318,610
Depreciation	(9,078,025)
<p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial uses. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.</p>	
	(104,748)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	733,527
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of material premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(81,585,000)
Premium from Issuance of Bonds	(7,645,000)
Bond Maturities	7,058,069
Net Amortization of Bond Premiums	388,202
Capital Lease Maturities	65,603
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	(2,095,988)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Workers' Compensation	(3,666)
Landfill Post-Closure	34,043
Compensated Absences	199,643
Net Pension Liability	(17,384,727)
Total OPEB Liability	11,366,527
<p>In the statement of activities, deferred outflows and inflows of resources related to pensions and OPEB are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions and OPEB.</p>	
	<u>(4,737,170)</u>
Changes in Net Position of Governmental Activities	<u><u>\$ (5,516,113)</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 3,219,988	\$ 259,878	\$ 3,479,866
Restricted Cash and Cash Equivalents	7,631,304	24,204	7,655,508
Investments	1,028,740	-	1,028,740
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	3,972,976	-	3,972,976
Utility Liens	237,703	-	237,703
Special Assessments	121,083	-	121,083
Inventory	-	13,380	13,380
Total Current Assets	<u>16,211,794</u>	<u>297,462</u>	<u>16,509,256</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Special Assessments	937,095	-	937,095
Intergovernmental	57,052	-	57,052
Capital Assets Not Being Depreciated	3,442,320	673,999	4,116,319
Capital Assets, Net of Accumulated Depreciation	<u>36,811,977</u>	<u>1,486,090</u>	<u>38,298,067</u>
Total Noncurrent Assets	<u>41,248,444</u>	<u>2,160,089</u>	<u>43,408,533</u>
Total Assets	<u>57,460,238</u>	<u>2,457,551</u>	<u>59,917,789</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	444,827	16,674	461,501
OPEB Related	140,091	15,215	155,306
Total Deferred Outflows of Resources	<u>584,918</u>	<u>31,889</u>	<u>616,807</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	614,979	5,971	620,950
Accrued Payroll	65,717	15,904	81,621
Due to Other Funds	1,100,000	-	1,100,000
Accrued Interest	182,869	8,328	191,197
Total OPEB Liability - Due Within One Year	140,091	15,215	155,306
Long-Term Bonds and Notes Payable	<u>2,024,570</u>	<u>219,978</u>	<u>2,244,548</u>
Total Current Liabilities	<u>4,128,226</u>	<u>265,396</u>	<u>4,393,622</u>
Noncurrent Liabilities:			
Net Pension Liability	3,008,774	112,783	3,121,557
Total OPEB Liability	4,731,901	513,939	5,245,840
Long-Term Bonds and Notes Payable	<u>14,327,685</u>	<u>467,428</u>	<u>14,795,113</u>
Total Noncurrent Liabilities	<u>22,068,360</u>	<u>1,094,150</u>	<u>23,162,510</u>
Total Liabilities	<u>26,196,586</u>	<u>1,359,546</u>	<u>27,556,132</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	117,148	4,391	121,539
OPEB Related	502,942	54,625	557,567
Total Deferred Inflows of Resources	<u>620,090</u>	<u>59,016</u>	<u>679,106</u>
<b>FUND NET POSITION</b>			
Net Investment in Capital Assets	31,533,346	1,496,887	33,030,233
Unrestricted	<u>(304,866)</u>	<u>(426,009)</u>	<u>(730,875)</u>
Total Net Position	<u>\$ 31,228,480</u>	<u>\$ 1,070,878</u>	<u>\$ 32,299,358</u>

See accompanying Notes to Financial Statements.



**TOWN OF NATICK, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 15,210,580	\$ 702,302	\$ 15,912,882
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	4,245,926	543,745	4,789,671
MWRA Assessment	5,972,626	-	5,972,626
Repairs and Maintenance	627,868	33,575	661,443
Depreciation	1,610,395	115,586	1,725,981
Total Operating Expenses	12,456,815	692,906	13,149,721
<b>OPERATING INCOME</b>	2,753,765	9,396	2,763,161
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental (Debt Subsidy)	54,584	-	54,584
Investment Income	129,590	1,472	131,062
Interest Expense	(497,143)	(29,959)	(527,102)
Total Nonoperating Revenues (Expenses), Net	(312,969)	(28,487)	(341,456)
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	2,440,796	(19,091)	2,421,705
Capital Contributions	726,750	-	726,750
Transfers In	-	270,000	270,000
Transfers Out	(2,218,150)	(43,871)	(2,262,021)
Total Capital Contributions and Transfers, Net	(1,491,400)	226,129	(1,265,271)
<b>CHANGE IN NET POSITION</b>	949,396	207,038	1,156,434
Net Position - Beginning of Year	30,279,084	863,840	31,142,924
<b>NET POSITION - END OF YEAR</b>	<u>\$ 31,228,480</u>	<u>\$ 1,070,878</u>	<u>\$ 32,299,358</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 15,624,412	\$ 702,302	\$ 16,326,714
Payments to Vendors	(8,553,520)	(275,546)	(8,829,066)
Payments to Employees	(1,732,408)	(332,022)	(2,064,430)
Net Cash Provided (Used) by Operating Activities	5,338,484	94,734	5,433,218
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	-	270,000	270,000
Transfers Out	(2,218,150)	(43,871)	(2,262,021)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,218,150)	226,129	(1,992,021)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	1,827,250	100,000	1,927,250
Premium from the Issuance of Bonds and Notes	160,000	8,000	168,000
Capital Contributions	726,750	-	726,750
Advances from General Fund	1,100,000	-	1,100,000
Acquisition and Construction of Capital Assets	(5,166,725)	(144,662)	(5,311,387)
Principal Payments on Bonds and Notes	(2,162,173)	(204,730)	(2,366,903)
Interest Paid	(487,723)	(32,130)	(519,853)
Net Cash Used by Capital and Related Financing Activities	(4,002,621)	(273,522)	(4,276,143)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases/Sales of Investments, Net	73,514	-	73,514
Investment Income	129,590	1,472	131,062
Net Cash Provided by Investing Activities	203,104	1,472	204,576
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(679,183)	48,813	(630,370)
Cash and Cash Equivalents - Beginning of Year (Includes \$8,694,849 and \$22,078 Reported as Restricted in the Water and Sewer and Nonmajor Enterprise Funds, Respectively)	11,530,475	235,269	11,765,744
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$7,631,304 and \$24,204 Reported as Restricted in the Water and Sewer and NonMajor Enterprise Funds, Respectively)	\$ 10,851,292	\$ 284,082	\$ 11,135,374
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income	\$ 2,753,765	\$ 9,396	\$ 2,763,161
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	1,610,395	115,586	1,725,981
Change in Net Pension Liability	593,335	(32,087)	561,248
Change in Deferred Outflows - Pension Related	(257,329)	(5,428)	(262,757)
Changed in Deferred Inflows - Pension Related	(188,737)	(13,955)	(202,692)
Change in Total OPEB Liability	(310,273)	(31,613)	(341,886)
Changed in Deferred Outflows - OPEB Related	(4,179)	(508)	(4,687)
Change in Deferred Outflows - OPEB Related	502,942	54,625	557,567
Effect of Changes in Operating Assets and Liabilities:			
User Charges	431,387	-	431,387
Utility Liens	(17,555)	-	(17,555)
Inventory	-	(5,220)	(5,220)
Warrants Payable	219,006	275	219,281
Accrued Payroll	5,727	3,663	9,390
Total Adjustments	2,584,719	85,338	2,670,057
Net Cash Provided by Operating Activities	\$ 5,338,484	\$ 94,734	\$ 5,433,218
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Intergovernmental Debt Subsidies (MCWT)	\$ 54,584	\$ -	\$ 54,584

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

	Pension Trust Fund (as of December 31, 2018)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,824,280	\$ -	\$ 1,288,595
Investments:			
Equity Mutual Funds	72,302,362	265,532	-
Fixed Income Mutual Funds	31,373,520	-	-
Private Equity Fund	366,506	-	-
External Investment Pool (PRIT)	31,912,271	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	-	-	216,156
Employer	4,539,255	-	-
Plan Member	37,311	-	-
Intergovernmental and Transfers	772,929	-	-
Total Assets	<u>143,128,434</u>	<u>265,532</u>	<u>\$ 1,504,751</u>
<b>LIABILITIES</b>			
Warrants Payable	547,562	-	\$ 39,872
Accrued Payroll	-	-	53,537
Liabilities Due Depositors	-	-	1,411,342
Due to Primary Government	-	-	-
Total Liabilities	<u>547,562</u>	<u>-</u>	<u>\$ 1,504,751</u>
<b>NET POSITION</b>			
Restricted for Pension Benefits and Other Purposes	<u>\$ 142,580,872</u>	<u>\$ 265,532</u>	

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2019**

	Pension Trust Fund (Year Ended December 31, 2018)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 9,861,204	\$ -
Plan Members	3,688,209	-
Total Contributions	<u>13,549,413</u>	<u>-</u>
Net Investment Income:		
Net Appreciation in Fair Value of Investments	(15,515,387)	(3,378)
Interest	10,570,996	18,531
Total Investment Income	(4,944,391)	15,153
Less: Investment Expense	(719,023)	-
Net Investment Income (Loss)	<u>(5,663,414)</u>	<u>15,153</u>
Intergovernmental	21,030	-
Total Additions	<u>7,907,029</u>	<u>15,153</u>
<b>DEDUCTIONS</b>		
Administration	263,733	-
Retirement Benefits, Including Reimbursements and Refunds	12,929,821	-
Total Deductions	<u>13,193,554</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(5,286,525)	15,153
Net Position - Beginning of Year	<u>147,867,397</u>	<u>250,379</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 142,580,872</u></u>	<u><u>\$ 265,532</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The Town of Natick, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions, and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

**Fiduciary Fund Component Unit**

The Town has included the Natick Contributory Retirement System (System) as a component unit (fiduciary fund) in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary fund component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees, the Natick Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, one member appointed by the Town's Board of Selectmen, and one member appointed by the System's four other Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds' financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC).

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

**Discretely Presented Component Unit**

Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Morse Institute in Natick (Institute) as a discretely presented component unit because the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading.

The Institute provides support to enhance the operations of the Town's public library and is exempt from federal and state income taxes as it is established under Section 501(c)(3) of the Internal Revenue Code.

The Institute issues separately audited cash basis financial statements, which is a comprehensive basis of accounting other than GAAP. The main difference is that the effect on earnings from accounts and pledges receivable as well as accounts payable and donated services are not recognized. Complete financial statements of the Institute, audited by another auditor, can be obtained directly from the Institute by contacting the Director at 14 East Central Street, Natick, Massachusetts 01760.

**Joint Venture**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

*South Middlesex Regional Vocational Technical High School District*

The Town is indirectly liable for the South Middlesex Regional Vocational Technical High School District (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2019 assessment totaled \$1,594,984. Separate audited financial statements may be obtained by contacting the District at 750 Winter Street, Framingham, Massachusetts 01702.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Implementation of New Accounting Principles**

For the year ending June 30, 2019, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*

The implementation of GASB Statement 83 had no reporting impact for the Town. The implementation of GASB Statement 88 enhanced debt disclosures.

**D. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The government-wide financial statements (statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its discretely presented component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees. Likewise, the primary government is reported separately from legally separate discretely presented component units for which the primary government is financially accountable.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment
- Grants and other contributions that are restricted to meeting the capital requirements of a specific function or segment

Taxes and other items not identifiable as program revenues are reported as general revenues. Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

**Fund Financial Statements**

**Governmental funds** financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.



**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *kennedy middle school* fund is used to account for and report construction of the new kennedy middle school.

The nonmajor governmental funds consist of special revenue, capital projects, debt service, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Proprietary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

The following proprietary funds are reported:

The *water and sewer* enterprise fund is reported as a major fund and is used to account for the Town's water and sewer activities.

The *golf course* enterprise fund is reported as a nonmajor fund and is used to account for the Sassamon Trace golf course activities.

**Fiduciary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity and consist primarily of the police detail and school related funds. Agency funds do not present the results of operations or have a measurement focus.

**F. Deposits and Investments**

**Government-Wide and Fund Financial Statements**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value, net asset value (NAV), or amortized cost, as further discussed in Note 3.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable**

**Government-Wide and Fund Financial Statements**

The recognition of revenue related to accounts receivable reported in the government-wide and proprietary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to receivables in the governmental funds financial statements are reported under the modified accrual basis of accounting.

***Real Estate Taxes, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup>, and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

***Motor Vehicle Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

***User Charges (Water and Sewer)***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed annually in December and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the commitment.

***Special Assessments***

Special assessments consist of sewer, sidewalk, street, RUST, and Title V betterments and are recorded as receivables in the fiscal year accrued.

***Departmental and Other***

Departmental and other receivables primarily consist of ambulance, police details, and trash ("Pay as you Throw" (PAYT) program) and are recorded as receivables in the fiscal year accrued.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable (Continued)**

***Intergovernmental***

Various state and federal operating and capital grants are applied for and received annually. For nonexpenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

**H. Allowance for Uncollectible Amounts**

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other (excluding the PAYT program)

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)
- Special assessments
- Departmental and other (PAYT program)

Intergovernmental receivables are considered 100% collectible.

**I. Inventories**

**Government-Wide and Fund Financial Statements**

Inventories of the governmental activities, governmental funds and water and sewer enterprise fund are recorded as expenditures at the time of purchase. Such inventories consist primarily of supplies and are not material in total to the respective financial statements and therefore are not reported.

Inventories of the golf course enterprise fund are stated at weighted average cost.

**J. Restricted Assets**

**Government-Wide and Fund Financial Statements**

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets**

**Government-Wide and Proprietary Funds Financial Statements**

Capital assets, which consist of land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, library books, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land Improvements	20-30
Buildings	20-40
Machinery and Equipment	5-10
Vehicles	5-15
Library Books	10
Infrastructure	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. All improvements are capitalized.

**Governmental Fund Financial Statements**

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

**L. Interfund Receivables and Payables**

During the course of its operations, transactions occur between funds that may result in amounts owed between funds.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Interfund Receivables and Payables (Continued)**

**Government-Wide Financial Statements**

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

**Fund Financial Statements**

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

**M. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between funds.

**Government-Wide Financial Statements**

Transfers between governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, Net".

**Fund Financial Statements**

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

**N. Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statements of net position.

**O. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Deferred Inflows of Resources (Continued)**

Deferred inflows of resources for unavailable revenue and taxes collected in advance are reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflows of resources related to pensions, OPEB and taxes collected in advance are reported in the government-wide and proprietary funds statements of net position.

**P. Net Position and Fund Balances**

**Government-Wide Financial Statements and Proprietary Funds Financial Statements (Net Position)**

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position are reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been “restricted” for the following:

“Other postemployment benefits” represents amounts restricted for retirees’ benefits (see Note 11).

“Conservation commission” represents amounts restricted for conservation projects.

“Infrastructure” represents amounts restricted for infrastructure improvements from mitigation funds.

“Special education” represents amounts restricted for special education costs from Massachusetts “circuit breaker” funds.

“Debt service” represents amounts accumulated from the Massachusetts School Building Authority (MSBA) for future payment of long-term debt service costs associated with school construction and net bond premiums associated with excluded debt. These amounts will be amortized over future fiscal years.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents restrictions placed on assets from outside parties.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances (Continued)**

**Governmental Funds Financial Statements (Fund Balances)**

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, authorized assignments for noncontractual encumbrances can be made by individual department heads.

Unassigned — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**Q. Long-Term Debt**

**Government-Wide and Proprietary Fund Financial Statements**

Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Material bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.



**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Long-Term Debt (Continued)**

**Governmental Fund Financial Statements**

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**R. Investment Income**

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income derived from the proprietary and fiduciary funds is retained in the respective funds.

**S. Compensated Absences**

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

**Government-Wide and Proprietary Fund Financial Statements**

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

**Governmental Fund Financial Statements**

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

**T. Pensions**

**Government-Wide and Proprietary Fund Financial Statements**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Natick Contributory Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Post Retirement Benefits**

**Government-Wide and Fund Financial Statements**

In addition to providing pension benefits and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

**V. Use of Estimates**

**Government-Wide and Fund Financial Statements**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**W. Total Column**

**Government-Wide Financial Statements**

The total column presented on the government-wide financial statements represents consolidated financial information.

**Fund Financial Statements**

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

Generally, expenditures may not exceed the legal level of spending (salaries, expenses, and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service and other certain amounts, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2019 approved budget for the general fund authorized \$147,128,014 in appropriations and other amounts to be raised. During fiscal year 2019, supplemental appropriations totaling \$8,393,304 were authorized.

The Comptroller's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Fund Deficits**

At June 30, 2019, the following fund deficits exist:

Fund	Amount	Funding Source
Chapter 90	\$ 934,622	Grant Proceeds
Other Funds	76,818	Grant Proceeds/Available Funds
Title I	64,077	Grant Proceeds
SPED 94-142	50,751	Grant Proceeds
Teacher Quality	42,544	Grant Proceeds
Insurance Claims	35,499	Available Funds
Medicaid School Share	31,394	Available Funds
Total Deficits	<u>\$ 1,235,705</u>	

**C. Excess of Expenditures over Appropriations**

For fiscal year 2019, expenditures exceeded appropriations for state and county charges.

**NOTE 3 DEPOSITS AND INVESTMENTS**

***Town (Excluding the Pension Trust Fund and Institute)***

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts, and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The Treasurer also has expanded investment powers as it relates to certain trust funds (as defined by the Commonwealth), permanent funds, and fiduciary funds.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

The MMDT is an external investment pool that meets the criteria established under GASB 79 to report its investments at amortized cost. As such, the City reports its investments in MMDT at amortized cost which approximates the net asset value of \$1.00 per share.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the private purpose trust funds and the pension trust fund are held separately from other Town funds.

**Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2019, \$18,676,221 of the Town's bank balance of \$155,813,010 was uninsured and uncollateralized. The carrying value of the Town's deposits totaled \$154,921,782 at June 30, 2019.

**Investments Summary**

The Town's investments at June 30, 2019 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries	\$ 1,553,972	\$ 639,749	\$ 914,223	\$ -	\$ -
U.S. Agencies	1,723,970	-	1,723,970	-	-
Corporate Bonds	2,615,897	417,476	2,198,421	-	-
Money Market Mutual Funds	791,892	791,892	-	-	-
Fixed Income Mutual Funds	1,042,783	1,042,783	-	-	-
Certificates of Deposit	3,196,759	2,074,580	1,122,179	-	-
External Investment Pool (MMDT)	2,210,379	2,210,379	-	-	-
Total Debt Securities	13,135,652	\$ 7,176,859	\$ 5,958,793	\$ -	\$ -
<u>Other Investments:</u>					
Equity Securities	2,024,997				
Equity Mutual Funds	2,452,940				
Total Other Investments	4,477,937				
Total Investments	\$ 17,613,589				

**Investments - Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2019, the Town's investments were not exposed to custodial credit risk.

**Investments - Credit Risk of Debt Securities**

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2019, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Total Amount	Quality Ratings *							
		AA+	AA-	A+	A	A-	BBB+	BBB	Unrated
Corporate Bonds	\$ 2,615,897	\$ -	\$ 179,147	\$ 794,462	\$ 431,598	\$ 516,136	\$ 557,633	\$ 136,921	\$ -
U.S. Agencies	1,723,970	1,723,970	-	-	-	-	-	-	-
Fixed Income Mutual Funds	1,042,783	-	-	-	-	-	-	-	1,042,783
Money Market Mutual Funds	791,892	-	-	-	-	-	-	-	791,892
Certificates of Deposit	3,196,759	-	-	-	-	-	-	-	3,196,759
External Investment Pools	2,210,379	-	-	-	-	-	-	-	2,210,379
Total	<u>\$11,581,680</u>	<u>\$1,723,970</u>	<u>\$ 179,147</u>	<u>\$ 794,462</u>	<u>\$ 431,598</u>	<u>\$ 516,136</u>	<u>\$ 557,633</u>	<u>\$ 136,921</u>	<u>\$7,241,813</u>

\*Per the rating scale of Standard and Poor's).

**Investments – Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2019, the Town's exposure to concentration of credit risk was as follows:

Issuer	Fair Value	Percentage of Total Investments
Federal Home Loan Mortgage Corp	\$ 1,474,816	10.09%

**Investments – Fair Value Measurements**

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

The Town has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Total Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Equity Securities	\$ 2,024,997	\$ 2,024,997	\$ -	\$ -
Equity Mutual Funds	2,452,940	2,452,940	-	-
Money Market Mutual Funds	791,892	791,892		
U.S. Treasuries	1,553,972	1,553,972	-	-
U.S. Agencies	1,723,970	1,723,970		
Corporate Bonds	2,615,897	-	2,615,897	-
Fixed Income Securities	1,042,783	-	1,042,783	-
Certificates of Deposit	3,196,759	-	3,196,759	
Total Investments by Fair Value Level	15,403,210	<u>\$ 8,547,771</u>	<u>\$ 6,855,439</u>	<u>\$ -</u>
<b>Investments measured at Amortized Cost:</b>				
External Investment Pool (MMDT)	2,210,379			
Total Investments	\$ 17,613,589			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

***Pension Trust Fund (The System)***

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds, and other specified investments.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. PRIT is administered by the Pension Reserves Investment Management Board. The reported value of the pool is the same as the fair value of the System's position in pool shares.

**Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2018, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$827,704 at December 31, 2018.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments Summary**

The System's investments at December 31, 2018 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years) <u>Less Than 1</u>
<u>Debt Securities:</u>		
Money Market Mutual Funds	\$ 996,576	\$ 996,576
Fixed Income Mutual Funds	31,373,520	31,373,520
External Investment Pool	31,912,271	31,912,271
Total Debt Securities	<u>64,282,367</u>	<u>\$ 64,282,367</u>
<u>Other Investments:</u>		
Equity Mutual Funds	72,302,362	
Private Equity Fund	366,506	
Total Other Investments	<u>72,668,868</u>	
Total Investments	<u>\$ 136,951,235</u>	

**Investments - Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System's policy regarding interest rate risk is that the duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

**Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2018, the System's investments were not exposed to custodial credit risk.

**Investments - Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System does not have a policy for concentration of credit risk. As of December 31, 2018, the System was not exposed to concentration of credit risk.

**Investments - Fair Value Measurements**

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

The System has the following recurring fair value measurements as of December 31, 2018:

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Money Market Mutual Funds	\$ 996,576	\$ 996,576	\$ -	\$ -
Equity Mutual Funds	72,302,362	72,302,362	-	-
Fixed Income Mutual Funds	31,373,520	31,373,520	-	-
Total Investments by Fair Value Level	104,672,458	<u>\$ 104,672,458</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments measured at the NAV:</b>				
External Investment Pool (PRIT)	31,912,271			
Private Equity Fund	366,506			
Total Investments measured at the NAV	32,278,777			
Total Investments	\$ 136,951,235			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool (PRIT) (1)	\$ 31,912,271	\$ -	Monthly	24 Hours
Private Equity Fund (2)	366,506	265,560	N/A	N/A
Total Investments Measured at the NAV	<u>\$ 32,278,777</u>			

- (1) The PRIT fund is an external investment pool that is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The fair value of the PRIT pooled fund is based on unit value (NAV) as reported by management of the PRIT fund.
- (2) Private Equity Fund: This type includes an investment in a partnership with an investment objective to carry on business of investor funds in limited partnerships interest based primarily in North America. The fair values of the investment in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. The funds are in the liquidation process.



**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

***The Institute (Discretely Presented Component Unit)***

**Investments Summary**

The Institute's investments at June 30, 2019 are presented below. All investments are presented by investment type.

<u>Investment Type</u>	<u>Fair Value</u>
Common and Preferred Stock	<u><u>\$ 2,265,257</u></u>

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2019, receivables for the individual major governmental funds and nonmajor governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<b>Receivables:</b>			
Real Estate and Personal Property Taxes	\$ 1,603,668	\$ (167,036)	\$ 1,436,632
Real Estate Tax Deferrals	463,495	-	463,495
Tax and Trash Liens	2,401,837	-	2,401,837
Motor Vehicle and Other Excise Taxes	720,699	(246,781)	473,918
Special Assessments	68,626	-	68,626
Departmental and Other	548,133	-	548,133
Intergovernmental	2,876,998	-	2,876,998
Total	<u><u>\$ 8,683,456</u></u>	<u><u>\$ (413,817)</u></u>	<u><u>\$ 8,269,639</u></u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

At June 30, 2019, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
User Charges	\$ 3,972,976	\$ -	\$ 3,972,976
Utility Liens	237,703	-	237,703
Special Assessments	1,058,178	-	1,058,178
Intergovernmental	57,052	-	57,052
Total	<u>\$ 5,325,909</u>	<u>\$ -</u>	<u>\$ 5,325,909</u>

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 17,250,386	\$ -	\$ -	\$ 17,250,386
Construction in Progress	7,181,310	9,107,295	(3,122,285)	13,166,320
Total Capital Assets Not Being Depreciated	<u>24,431,696</u>	<u>9,107,295</u>	<u>(3,122,285)</u>	<u>30,416,706</u>
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	6,851,253	2,911,166	-	9,762,419
Leasehold Improvements	627,636	-	-	627,636
Buildings	187,291,903	-	-	187,291,903
Machinery and Equipment	15,500,942	1,596,214	(118,531)	16,978,625
Vehicles	11,931,928	374,320	(618,284)	11,687,964
Library Books	3,904,358	231,640	-	4,135,998
Infrastructure	64,963,068	6,220,260	-	71,183,328
Total Capital Assets Being Depreciated	<u>291,071,088</u>	<u>11,333,600</u>	<u>(736,815)</u>	<u>301,667,873</u>
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(2,792,305)	(378,154)	-	(3,170,459)
Leasehold Improvements	(94,145)	-	-	(94,145)
Buildings	(61,410,755)	(5,000,768)	-	(66,411,523)
Machinery and Equipment	(10,464,627)	(1,180,997)	118,531	(11,527,093)
Vehicles	(7,168,179)	(1,035,038)	513,536	(7,689,681)
Library Books	(2,880,228)	(194,534)	-	(3,074,762)
Infrastructure	(32,183,219)	(1,288,534)	-	(33,471,753)
Total Accumulated Depreciation	<u>(116,993,458)</u>	<u>(9,078,025)</u>	<u>632,067</u>	<u>(125,439,416)</u>
Total Capital Assets Being Depreciated, Net	<u>174,077,630</u>	<u>2,255,575</u>	<u>(104,748)</u>	<u>176,228,457</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 198,509,326</u>	<u>\$ 11,362,870</u>	<u>\$ (3,227,033)</u>	<u>\$ 206,645,163</u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Water/Sewer Enterprise:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 379,255	\$ -	\$ -	\$ 379,255
Construction in Progress	2,337,631	2,472,016	(1,746,582)	3,063,065
Total Capital Assets Not Being Depreciated	2,716,886	2,472,016	(1,746,582)	3,442,320
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	189,023	-	-	189,023
Buildings and Improvements	562,150	-	-	562,150
Machinery and Equipment	1,428,524	177,417	-	1,605,941
Vehicles	1,978,312	193,704	-	2,172,016
Infrastructure	62,992,901	4,242,377	-	67,235,278
Total Capital Assets Being Depreciated	67,150,910	4,613,498	-	71,764,408
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(118,138)	(9,451)	-	(127,589)
Buildings and Improvements	(54,278)	(15,508)	-	(69,786)
Machinery and Equipment	(844,088)	(91,574)	-	(935,662)
Vehicles	(1,070,694)	(295,729)	-	(1,366,423)
Infrastructure	(31,254,838)	(1,198,133)	-	(32,452,971)
Total Accumulated Depreciation	(33,342,036)	(1,610,395)	-	(34,952,431)
Total Capital Assets Being Depreciated, Net	33,808,874	3,003,103	-	36,811,977
Total Water/Sewer Enterprise Capital Assets, Net	\$ 36,525,760	\$ 5,475,119	\$ (1,746,582)	\$ 40,254,297
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Golf Course Enterprise:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 673,999	\$ -	\$ -	\$ 673,999
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	2,518,439	-	-	2,518,439
Buildings	276,453	-	-	276,453
Machinery and Equipment	58,766	144,662	-	203,428
Vehicles.....	18,940	-	-	18,940
Total Capital Assets Being Depreciated	2,872,598	144,662	-	3,017,260
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(1,341,588)	(90,409)	-	(1,431,997)
Buildings	(60,883)	(8,279)	-	(69,162)
Machinery and Equipment	(7,431)	(13,110)	-	(20,541)
Vehicles	(5,682)	(3,788)	-	(9,470)
Total Accumulated Depreciation	(1,415,584)	(115,586)	-	(1,531,170)
Total Capital Assets Being Depreciated, Net	1,457,014	29,076	-	1,486,090
Total Golf Course Enterprise Capital Assets, Net	\$ 2,131,013	\$ 29,076	\$ -	\$ 2,160,089
Total Business-Type Activities Capital Assets, Net	\$ 38,656,773	\$ 5,504,195	\$ (1,746,582)	\$ 42,414,386

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General Government	\$ 470,334
Public Safety	804,561
Education	4,078,567
Public Works	2,923,144
Health and Human Services	253,058
Culture and Recreation	430,770
Library	117,591
Total Depreciation Expense - Governmental Activities	<u>\$ 9,078,025</u>

**Business-Type Activities:**

Water and Sewer	\$ 1,610,395
Golf	115,586
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,725,981</u>

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Receivables and payables between funds at June 30, 2019 are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Water/Sewer	\$ 1,100,000 (1)

(1) Represents advances from general fund to Water/Sewer for Capital Projects

Interfund transfers for the fiscal year ended June 30, 2019 are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Golf Enterprise Funds	
General Fund	\$ -	\$ 36,622	\$ 270,000	\$ 306,622 (1)
Nonmajor Governmental Funds	225,851	-	-	225,851 (2)
Water/Sewer Enterprise Fund	2,218,150	-	-	2,218,150 (3)
Nonmajor Golf Enterprise Fund	43,871	-	-	43,871 (3)
Total	<u>\$ 2,487,872</u>	<u>\$ 36,622</u>	<u>\$ 270,000</u>	<u>\$ 2,794,494</u>

(1) Represents budgeted transfers to the McDaniel Educational Trust (\$36,622), and a subsidy of operating expenses for the golf enterprise fund (\$270,000).

(2) Represents budgeted transfers to the general fund from insurance claims (\$15,000), School Building Assistance (\$123,167), Title V Septic program (\$7,684), and Parking Receipts (\$80,000).

(3) Represents budgeted transfer of indirect costs.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the governmental funds and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2019 is as follows:

**Notes Payable - Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
BAN	Navy Yard Reconstruction	6/28/19	2/21/20	2.25%	\$ -	\$ 1,600,000	\$ (560,000) *	\$ 1,040,000
BAN	East Park Reconstruction	6/28/19	2/21/20	2.25%	-	2,535,000	(2,535,000) *	-
	Total				<u>\$ -</u>	<u>\$ 4,135,000</u>	<u>\$ (3,095,000)</u>	<u>\$ 1,040,000</u>

**Notes Payable - Enterprise Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
BAN	Replace Ground Water Wells	6/29/18	12/7/18	2.75%	\$ 150,000	\$ -	\$ (150,000)	\$ -
BAN	Fox Hill Drive Water Main Replacement	6/29/18	12/7/18	2.75%	67,000	-	(67,000)	-
BAN	Tonka Water Pressure Water Filter	6/28/19	2/21/20	2.25%	-	520,000	(520,000) *	-
	Total				<u>\$ 217,000</u>	<u>\$ 520,000</u>	<u>\$ (737,000)</u>	<u>\$ -</u>

**Subsequent Events**

\* On January 29, 2020, the Town issued \$15,050,000 of General Obligation Bonds. A portion of the proceeds were used to retire BAN's outstanding at June 30, 2019. Accordingly, the liabilities are reported as a long-term debt obligation at June 30, 2019.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Bonds and Notes Payable	\$ 69,818,330	\$ 81,585,000	\$ (7,037,870)	\$ 144,365,460	\$ 9,242,460
Notes from Direct Borrowings	123,442	-	(20,199)	103,243	20,199
Unamortized Bond Premiums	2,493,541	7,645,000	(388,202)	9,750,339	579,328
Total Bonds and Notes Payable	72,435,313	89,230,000	(7,446,271)	154,219,042	9,841,987
Capital Lease Obligations	343,457	-	(65,603)	277,854	67,112
Workers' Compensation Claims	48,056	659,295	(655,629)	51,722	25,861
Landfill Post-Closure	306,387	-	(34,043)	272,344	34,043
Compensated Absences	2,022,644	69,404	(269,047)	1,823,001	182,300
Total	<u>\$ 75,155,857</u>	<u>\$ 89,958,699</u>	<u>\$ (8,470,593)</u>	<u>\$ 156,643,963</u>	<u>\$ 10,151,303</u>
<b>Business-Type Activities:</b>					
Bonds and Notes Payable	\$ 13,591,671	\$ 1,685,000	\$ (1,682,130)	\$ 13,594,541	\$ 1,825,978
Notes from Direct Borrowings	2,604,663	242,250	(467,773)	2,379,140	340,605
Unamortized Bond Premiums	970,716	168,000	(72,736)	1,065,980	77,965
Total	<u>\$ 17,167,050</u>	<u>\$ 2,095,250</u>	<u>\$ (2,222,639)</u>	<u>\$ 17,039,661</u>	<u>\$ 2,244,548</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2019 and the debt service requirements are as follows:

**Bonds and Notes Payable – Governmental Funds**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Septic Title V (MCWT) T5-97-1026 *	08/01/19	0.00%	\$ 15,194	\$ -	\$ (7,597)	\$ 7,597
Septic Title V (MCWT) T5-97-1026-1 *	08/01/22	0.00%	25,748	-	(5,102)	20,646
Septic Title V (MCWT) T5-97-1026-B *	07/15/28	0.00%	82,500	-	(7,500)	75,000
M.P.L. of 2010	06/15/20	2.00-2.75%	660,000	-	(335,000)	325,000
M.P.L. of 2011	06/15/31	2.00-5.00%	33,195,000	-	(2,735,000)	30,460,000
M.P.L. of 2012	06/01/24	2.00-4.00%	1,110,000	-	(385,000)	725,000
General Obligation Current Refunding Bonds of 2012	08/01/20	1.00-4.00%	357,630	-	(172,170)	185,460
M.P.L. of 2013	04/15/33	2.00-4.00%	4,825,000	-	(490,000)	4,335,000
General Obligation Current Refunding Bonds of 2014	06/15/24	2.00-5.00%	3,080,000	-	(525,000)	2,555,000
M.P.L. of 2014	06/15/29	2.00-5.00%	2,315,000	-	(520,000)	1,795,000
M.P.L. of 2015	06/30/30	2.50-3.00%	1,810,000	-	(280,000)	1,530,000
M.P.L. of 2016	11/01/35	1.35-4.00%	2,870,000	-	(300,000)	2,570,000
M.P.L. of 2017	04/15/37	3.125-5.00%	8,105,000	-	(890,000)	7,215,000
M.P.L. of 2017	07/15/37	3.00-4.00%	4,780,700	-	(405,700)	4,375,000
M.P.L. of 2018	07/15/38	4.00-5.00%	6,710,000	78,490,000	-	85,200,000
M.P.L. of 2020	08/01/33	2.00-5.00%	-	3,095,000	-	3,095,000
Total Governmental Funds			<u>\$ 69,941,772</u>	<u>\$ 81,585,000</u>	<u>\$ (7,058,069)</u>	<u>\$ 144,468,703</u>

\*Notes from direct borrowings

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years as follows:

Fiscal Year	Bonded Debt		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2020	\$ 9,242,460	\$ 6,103,214	\$ 20,199	\$ -	\$ 15,365,873
2021	9,243,000	5,456,611	12,602	-	14,712,213
2022	8,960,000	4,912,574	12,721	-	13,885,295
2023	8,765,000	4,543,925	12,721	-	13,321,646
2024	8,710,000	4,208,469	7,500	-	12,925,969
2025	8,330,000	3,875,273	7,500	-	12,212,773
2026	8,085,000	3,541,817	7,500	-	11,634,317
2027	7,915,000	3,213,704	7,500	-	11,136,204
2028	8,000,000	2,873,829	7,500	-	10,881,329
2029	8,075,000	2,534,109	7,500	-	10,616,609
2030	8,065,000	2,194,664	-	-	10,259,664
2031	8,135,000	1,877,509	-	-	10,012,509
2032	5,760,000	1,581,600	-	-	7,341,600
2033	5,690,000	1,355,831	-	-	7,045,831
2034	5,465,000	1,136,300	-	-	6,601,300
2035	5,065,000	930,950	-	-	5,995,950
2036	5,135,000	728,500	-	-	5,863,500
2037	5,245,000	522,825	-	-	5,767,825
2038	5,210,000	314,425	-	-	5,524,425
2039	5,270,000	105,400	-	-	5,375,400
Total	<u>\$ 144,365,460</u>	<u>\$52,011,526</u>	<u>\$ 103,243</u>	<u>\$ -</u>	<u>\$ 196,480,229</u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Enterprise Fund (Water and Sewer)**

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Water Treatment (MCWT) *	08/01/24	2.00%	\$ 2,275,908	\$ -	\$ (292,408)	\$ 1,983,500
M.P.L. of 2010-Sewer	06/15/20	2.00-3.25%	60,000	-	(30,000)	30,000
M.P.L. of 2010-Departmental Equipment - Sewer	06/15/20	2.00-3.25%	50,000	-	(25,000)	25,000
M.P.L. of 2010-Water Mains - Lining	06/15/20	2.00-3.25%	120,000	-	(60,000)	60,000
M.P.L. of 2010-Well	06/15/20	2.00-3.25%	50,000	-	(25,000)	25,000
M.P.L. of 2010-Water Departmental Equipment	06/15/20	2.00-3.25%	100,000	-	(50,000)	50,000
M.P.L. of 2011-Water Mains - Lining	06/15/26	2.00-5.00%	415,000	-	(55,000)	360,000
Building Remodeling - Public Works	06/01/19	2.00-4.00%	5,000	-	(5,000)	-
Well	06/01/22	2.00-4.00%	120,000	-	(30,000)	90,000
Water Departmental Equipment	06/01/22	2.00-4.00%	100,000	-	(25,000)	75,000
Building Remodeling - Sewer	06/01/22	2.00-4.00%	200,000	-	(50,000)	150,000
General Obligation Current Refunding Bonds of 2012	08/01/20	1.00-4.00%	264,000	-	(106,000)	158,000
Sewer	04/15/28	2.00-4.00%	1,100,000	-	(110,000)	990,000
Water Departmental Equipment	04/15/23	2.00-4.00%	100,000	-	(20,000)	80,000
Well	04/15/23	2.00-4.00%	150,000	-	(30,000)	120,000
Sewer Current Refunding	04/15/22	2.00-4.00%	110,000	-	(30,000)	80,000
Sewer (MWRA) *	05/15/19	0.00%	151,140	-	(151,140)	-
M.P.L. of 2014 Sewer	06/15/23	2.00-5.00%	215,000	-	(80,000)	135,000
M.P.L. of 2014 Water	06/15/29	2.00-5.00%	620,000	-	(75,000)	545,000
Sewer (MWRA) *	02/15/25	0.00%	141,435	-	(20,205)	121,230
M.P.L. of 2016 - Refunding	11/01/26	1.35-4.00%	910,000	-	(105,000)	805,000
M.P.L. of 2016 - Sewer	11/01/25	1.35-4.00%	90,000	-	(15,000)	75,000
M.P.L. of 2017	04/15/37	3.125-5.00%	3,805,000	-	(350,000)	3,455,000
Sewer (MWRA) *	05/15/27	0.00%	36,180	-	(4,020)	32,160
M.P.L. of 2017 - Sewer Station	07/15/27	4.00%	86,000	-	(11,000)	75,000
M.P.L. of 2017 -Water/Sewer Infrastructure	07/15/37	3.00-4.00%	2,925,400	-	(150,400)	2,775,000
M.P.L. of 2017 - Replace Ground Water Wells	07/15/37	3.00-4.00%	370,000	-	(20,000)	350,000
M.P.L. of 2017 - Water Main Upgrade	07/15/37	3.00-4.00%	335,000	-	(20,000)	315,000
Sewer (MWRA) *	08/23/19	0.00%	-	242,250	-	242,250
M.P.L. of 2018	07/15/38	5.00%	520,000	1,065,000	-	1,585,000
M.P.L. of 2020	08/01/39	2.00-5.00%	-	520,000	-	520,000
Total Water/Sewer Enterprise Fund			<u>\$ 15,425,063</u>	<u>\$ 1,827,250</u>	<u>\$ (1,945,173)</u>	<u>\$ 15,307,140</u>

\*Notes from direct borrowings



**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Bonded Debt		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,596,000	\$ 466,682	\$ 350,605	\$ 80,406	\$ 2,493,693
2021	1,322,000	420,598	360,352	65,490	2,168,440
2022	1,250,000	368,692	374,972	49,922	2,043,586
2023	1,100,000	317,542	384,719	32,945	1,835,206
2024	1,010,000	275,025	399,339	15,025	1,699,389
2025	930,000	235,806	404,213	-	1,570,019
2026	910,000	198,231	28,245	-	1,136,476
2027	755,000	161,473	28,245	-	944,718
2028	620,000	132,363	24,225	-	776,588
2029	455,000	108,888	24,225	-	588,113
2030	400,000	92,388	-	-	492,388
2031	400,000	77,863	-	-	477,863
2032	395,000	64,563	-	-	459,563
2033	295,000	50,888	-	-	345,888
2034	295,000	41,763	-	-	336,763
2035	295,000	32,763	-	-	327,763
2036	290,000	23,763	-	-	313,763
2037	290,000	14,913	-	-	304,913
2038	235,000	6,084	-	-	241,084
2039	60,000	1,528	-	-	61,528
2040	25,000	281	-	-	25,281
Total	<u>\$ 12,928,000</u>	<u>\$ 3,092,093</u>	<u>\$ 2,379,140</u>	<u>\$ 243,788</u>	<u>\$ 18,643,021</u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Enterprise Fund (Golf)**

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
General Obligation Current Refunding Bonds of 2012	08/01/19	1.00-4.00%	\$ 73,370	\$ -	\$ (36,830)	\$ 36,540
Municipal Golf Course Current Refunding	04/15/22	2.00-4.00%	505,000	-	(130,000)	375,000
M.P.L. of 2016	04/23/32	1.35 -4.00%	10,000	-	(5,000)	5,000
M.P.L. of 2017	04/15/32	2.00-5.00%	80,000	-	(10,000)	70,000
M.P.L. of 2017 - Golf Cart Fleet Replacement	07/15/22	4.00%	102,900	-	(22,900)	80,000
M.P.L. of 2018	07/15/25	5.00%	-	100,000	-	100,000
Total Golf Enterprise Fund			<u>\$ 771,270</u>	<u>\$ 100,000</u>	<u>\$ (204,730)</u>	<u>\$ 666,540</u>

Debt service requirements for principal and interest for golf course enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 216,540	\$ 26,473	\$ 243,013
2021	165,000	18,225	183,225
2022	165,000	11,425	176,425
2023	40,000	4,625	44,625
2024	20,000	3,225	23,225
2025	15,000	2,350	17,350
2026	15,000	1,600	16,600
2027	5,000	1,100	6,100
2028	5,000	850	5,850
2029	5,000	650	5,650
2030	5,000	500	5,500
2031	5,000	350	5,350
2032	5,000	200	5,200
Total	<u>\$ 666,540</u>	<u>\$ 71,573</u>	<u>\$ 738,113</u>

On December 6, 2018, the Town issued \$86,885,000 of General Obligation Bonds. A portion of the proceeds were used to retire BAN's outstanding and the remaining proceeds were used for school construction, fire station construction and other various departmental equipment and vehicles.

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2019, the Town's subsidy totaled approximately \$55,000. Future subsidies total approximately \$237,000. The amount of MCWT bonds outstanding at June 30, 2019, totaled \$2,086,743.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five equal annual installments). At June 30, 2019, the outstanding principal amount of these loans totaled \$395,640. During fiscal year 2019, the Town received a grant in the amount of \$726,750 and non-interest bearing note in the amount of \$242,250 from MWRA.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2019, the Town had the following authorized and unissued debt:

Purpose	Amount
Kennedy Middle School Construction - EXEMPT	\$ 40,366,762
Land Acquisition (22 Pleasant Street)	3,200,000
Water Main Refining	1,500,000
Charles River Dam Engineering/Repairs	1,250,000
Water Main Retaining/Replacement	1,100,000
Roadway & Sidewalks	750,000
Sewer	726,750
Fox Hill Drive Water Main Replacement	600,000
Parking Garage	540,000
Sewer I & I	359,480
Ground Water Wells	350,000
Main Street Improvements	280,000
Well	200,000
Pine Street Roadway	153,000
Water	150,000
Departmental Equipment - DCC Controls	150,000
Water Distribution System Enhancements	150,000
Water/Sewer Comprehensive Asset Management Plan	150,000
Engineering Charles River Bridge	125,000
Charles River Dam	100,000
Police Replace Rooftop HVAC Unit	55,000
Cole North Field	30,000
Cole Center Air Handler	20,000
Total	<u><u>\$ 52,305,992</u></u>

Subsequent Events

On January 29, 2020, the Town issued \$15,050,000 of General Obligation Bonds. A portion of the proceeds were used to retire BAN's outstanding at June 30, 2019. Accordingly, the liabilities are reported as a long-term debt obligation at June 30, 2019. The remaining proceeds were for roadway and sidewalk improvements, water and sewer related improvements, and other various departmental replacements and purchases.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 LANDFILL POSTCLOSURE CARE**

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1988 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$272,344 as the estimated landfill post-closure care liability at June 30, 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS**

Plan Description

The Town provides health, dental and life insurance benefits, in accordance with state statute and Town ordinance, to participating retirees and their beneficiaries (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to the plan design and contributions rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report.

The Town has established an OPEB Trust pursuant to the adoption of MGL Chapter 32B, Section 20. The assets placed in this trust do not meet the criteria in paragraph 4 of Statement No. 75 and as such the funds accumulated are reported in the general fund as restricted fund balance. At June 30, 2019, the OPEB restricted fund balance totaled \$3,948,306.

Benefits Provided

The Town provides health, dental and life insurance coverage for its retirees and their survivors. The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 50%, respectively. The Plan members and Town each contribute 50% towards a \$5,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by benefit terms.

Active Employees	1,119
Retired Employees and Spouses	901
Total	<u>2,020</u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Total OPEB Liability**

The Town's total OPEB liability of \$181,659,702 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018 for which updated procedures were used to roll forward the total OPEB liability to the measurement date.

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Discount Rate:	3.87% (20-year Municipal General Obligation bonds at June 30, 2018)
Healthcare/Medical cost trend rate:	8.22% in 2018 to an ultimate level of 5.00% in 2025
Projected salary increases:	3.50% annually. Overall payroll increase rate, including new entrants of 3.00% per year and 2.75% CPI-U.
Mortality:	<p>Actives: The RP-2014 Mortality Tables at 2006, (Sex-distinct) for Employees projected using MP-2016.</p> <p>Retirees: The RP-2014 Mortality Tables at 2006 (Sex-distinct) for Healthy Annuitants projected using MP-2016.</p> <p>Disabled: The RP-2014 Mortality Tables at 2006 (Sex-distinct) for Healthy Annuitants projected using MP-2016. Set forward 2 years.</p>

**Changes in Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 193,368,115
Changes for the Year:	
Service Cost	7,871,729
Interest	7,116,253
Difference Between Expected and Actual Experience	(14,972,720)
Changes of Assumptions	(6,800,032)
Benefit Payments	(4,923,643)
Net Changes	<u>(11,708,413)</u>
Balance at June 30, 2019	<u>\$ 181,659,702</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.*

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 213,709,081	\$ 181,659,702	\$ 156,384,716

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.*

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 153,178,238	\$ 181,659,702	\$ 219,161,781

**OPEB Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2019, the Town recognized OPEB expense of \$11,968,183.

At June 30, 2019, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 12,896,060
Changes in Assumptions	-	5,856,893
Contributions Made Subsequent to the Measurement Date	5,223,493	-
Total	<u>\$ 5,223,493</u>	<u>\$ 18,752,953</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

The contributions made subsequent to the measurement date and will be reported as a reduction to the total OPEB liability in the next fiscal year. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ (3,019,799)
2021	(3,019,799)
2022	(3,019,799)
2023	(3,019,799)
2024	(3,019,799)
Thereafter	(3,653,958)
Total	<u>\$ (18,752,953)</u>

**NOTE 12 PENSION PLAN - NCRS**

**General Information about the Pension Plan**

*Plan Description.* The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Natick Contributory Retirement System (NCRS or System). Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Membership in the System was as follows at December 31, 2018:

Active Members	644
Inactive Members	138
Retirees and Beneficiaries Currently Receiving Benefits	<u>397</u>
Total	<u>1,179</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

As indicated in Note 1, the System is reported as a pension trust fund in these financial statements. The System also issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 13 East Central Street, Natick, Massachusetts 01760.

*Benefits provided.* Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the plan; Group 1, Group 2, and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in Group 1, 50 years of age with 10 years of service if in Group 2, and 55 years of age if hired prior to 1978 or if classified in Group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

When a member's retirement becomes effective, their deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.



**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

*Contributions.* Chapter 32 of MGL governs the contributions of plan members and the employers. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2018, active member contributions totaled \$3,688,209 and employer contributions totaled \$9,861,204. Contributions to the System from the Town were \$9,720,219 for the year ended June 30, 2019.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The components of the net pension liability of the System at December 31, 2018, were as follows:

Total Pension Liability	\$ 236,737,698
Plan Fiduciary Net Position	<u>(142,580,872)</u>
Net Pension Liability	<u>\$ 94,156,826</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.23%

At June 30, 2019, the Town reported a liability of \$92,810,672 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 that was rolled back to the December 31, 2018 measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018 and 2017, the Town's proportion was 98.50731% and 98.50728%, respectively.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

For the year ended June 30, 2019, the Town recognized pension expense of \$13,910,712. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 8,594,623	\$ -
Changes in Assumptions	5,084,942	-
Changes in Proportion	41,862	9,541
Differences Between Expected and Actual Experience	-	3,604,099
Total	<u>\$ 13,721,427</u>	<u>\$ 3,613,640</u>

The amount reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2020	\$ 3,003,681
2021	1,308,870
2022	1,585,653
2023	3,739,337
2024	470,246
Total	<u>\$ 10,107,787</u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

*Actuarial assumptions.* The following actuarial apply to all periods included in the measurement.

Assumptions:

Salary Increases	Based on years of service. Ranges from 6.00% decreasing to 4.00% after 11 years of service for Group 1 employees, from 6.00% decreasing to 4.25% after 11 years of service for Group 2 employees; and from 7.00% decreasing to 4.50% after 11 years of service for Group 4 Employees
Investment Rate of Return	7.25% (previously, 7.375%), net of investment expense, including inflation
Inflation Rate	3.25%
Cost of Living Adjustment	3.0% of first \$13,000 (previously, 3% of first \$12,000)
Mortality	<p>Healthy Participant - The RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally with Scale MP-20162D</p> <p>Healthy Retiree - The RP-2014 Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-20162D</p> <p>Disabled Retiree - The RP-2014 Blue Collar Health Annuitant Mortality Table set forward one year projected generationally using Scale MP-2016 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015)</p>

*Investment Policy and Rates of Return.* Deposits and investments made by the System are governed by Chapter 32 of the MGL. The System engages investment managers that adhere to MGL c. 32, sec 23(3), the "Prudent Person" rule, which permits (among other things) the investment in corporate bonds, equities, private equity, and real estate investments.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

The Board has the authority for establishing and amending investment policy decisions. Based on the investment objectives and constraints of the System, and based on an annual review of the asset allocation and asset classes, the Board will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the total portfolio, and will have ranges surrounding them, allowing for the portfolio to maintain policy through market fluctuations. The long-term target allocations are intended as strategic goals. Thus, it is permissible for the overall System's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the System. At times, the Board reevaluates the portfolio weightings by asset class and adjustments are made accordingly.

The System's annual money-weighted rate of return on pension plan investments for the year was -4.86%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	34.0%	6.16%
International Developed Markets Equity	16.0%	6.69%
International Emerging Markets Equity	4.0%	9.47%
Core Fixed Income	16.0%	1.89%
High-Yield Fixed Income	10.0%	4.00%
Real Estate	10.0%	4.58%
Hedge Fund, GTAA, Risk Parity	5.0%	3.68%
Private Equity	5.0%	10.00%
Totals	<u>100.0%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the System calculated using the discount rate of 7.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
System's Net Pension Liability	\$ 120,897,174	\$ 94,156,826	\$ 71,590,348

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's Proportionate Share of the Net Pension Liability	\$ 119,168,715	\$ 92,810,672	\$ 70,566,825

*Legally Required Reserve Accounts.* The balance in the System's legally required reserves as of December 31, 2018 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 37,243,785	Active members' contribution balance
Annuity Reserve Fund	11,371,038	Retired members' contribution account
Pension Reserve Fund	89,818,491	Amounts appropriated to fund future retirement
Pension Fund	4,147,558	Remaining Net Position
Total	<u>\$ 142,580,872</u>	

All reserve accounts are funded at levels required by state law.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in this financial report.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

*Benefits provided.* MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

*Contributions.* The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2018. The Commonwealth's net pension liability associated with the Town was \$133,510,676.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

The MTRS' net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$13,529,374 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions. The following actuarial methods and assumptions apply to all periods included in the measurement.

Investment rate of return - 7.35%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

Mortality Rates - Pre-retirement reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). Post-retirement - reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct). Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

Other - 3.5% interest rate credited to the annuity savings fund and 3.0% cost of living increase on the first \$13,000 of allowance per year.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	5.0%
Core Fixed Income	12%	0.9%
Private Equity	12%	6.6%
Real Estate	10%	3.8%
Value Added Fixed Income	10%	3.8%
Portfolio Completion Strategies	13%	3.7%
Timber/Natural Resources	4%	3.4%
Totals	<u>100%</u>	

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

*Discount rate.* The discount rate used to measure the MTRS' total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Pension plan fiduciary net position.* Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**NOTE 14 CAPITAL LEASES**

The Town has entered into a capital lease agreement for LED street lights, which will become the property of the Town when all terms of the lease agreement are met.

The following schedule represents the future minimum lease payments as of June 30, 2019:

Fiscal Years Ending June 30	Governmental Activities
2020	\$ 73,503
2021	73,503
2022	73,503
2023	73,504
Total Minimum Lease Payments	294,013
Less: Amounts Representing Interest	(16,159)
Present Value of Minimum Lease Payments	<u>\$ 277,854</u>

The LED street lights and the related accumulated amortization under capital leases are as follows:

<u>Asset:</u>	Governmental Activities
Infrastructure	\$ 650,000
Less: Accumulated Amortization	(336,600)
Total	<u>\$ 313,400</u>

Amortization of the capital lease is included with public works depreciation expense.



**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 15 FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Kennedy Middle School	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Permanent Fund Principal	\$ -	\$ -	\$ 15,324	\$ 15,324
<b>Restricted:</b>				
OPEB	3,948,306	-	-	3,948,306
Debt Service	601,871	-	605,101	1,206,972
School Construction	-	60,901,974	220,593	61,122,567
School Lunch	-	-	690,608	690,608
Bus Transportation	-	-	211,144	211,144
Infrastructure (Mitigation Funds)	-	-	1,142,316	1,142,316
Capital	-	-	25,661,360	25,661,360
Cable Fees	-	-	345,464	345,464
Circuit Breaker	-	-	1,993,523	1,993,523
Conservation Commission	-	-	88,475	88,475
Recreation Revolving	-	-	934,363	934,363
General Government	-	-	1,815,408	1,815,408
Public Safety	-	-	554,682	554,682
Education	-	-	3,300,364	3,300,364
Public Works	-	-	192,336	192,336
Health and Human Services	-	-	728,180	728,180
Culture and Recreation	-	-	310,024	310,024
Library	-	-	4,340	4,340
Sub-Total - Restricted	<u>4,550,177</u>	<u>60,901,974</u>	<u>38,798,281</u>	<u>104,250,432</u>
<b>Committed:</b>				
Capital Stabilization	4,759,838	-	-	4,759,838
Subsequent Year's Expenditures	2,350,000	-	-	2,350,000
Technology Stabilization	7,011	-	-	7,011
General Government	3,038,311	-	-	3,038,311
Public Safety	1,616,189	-	-	1,616,189
Education	1,068,466	-	-	1,068,466
Public Works	4,613,714	-	-	4,613,714
Library	50,000	-	-	50,000
Health and Human Services	29,427	-	-	29,427
Culture and Recreation	44,527	-	-	44,527
Sub-Total - Committed	<u>17,577,483</u>	<u>-</u>	<u>-</u>	<u>17,577,483</u>
<b>Assigned:</b>				
General Government	184,958	-	-	184,958
Public Safety	8,993	-	-	8,993
Education	399,283	-	-	399,283
Public Works	353,656	-	-	353,656
Health and Human Services	5,751	-	-	5,751
Culture and Recreation	8,401	-	-	8,401
Other	13,245	-	-	13,245
Sub-Total - Assigned	<u>974,287</u>	<u>-</u>	<u>-</u>	<u>974,287</u>
<b>Unassigned</b>	<u>24,141,854</u>	<u>-</u>	<u>(1,235,705)</u>	<u>22,906,149</u>
<b>Total</b>	<u>\$ 47,243,801</u>	<u>\$ 60,901,974</u>	<u>\$ 37,577,900</u>	<u>\$ 145,723,675</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 STABILIZATION FUNDS**

The Town maintains general, capital, operational, FAR, inflow, and infiltration and one-to-one technology stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of these stabilization funds require two-thirds vote of Town meeting. Investment income is retained by the funds.

The balances of the general, capital, operational, FAR, inflow and infiltration, and one-to-one technology stabilization funds at June 30, 2019 are \$4,906,644, \$4,759,838, \$3,796,956, \$2,625,288, \$887,110, and \$7,011, respectively. The capital and technology stabilization fund balances are reported in the general fund as committed and the general, operational, and FAR stabilization funds are reported in the general fund as unassigned fund balance. The inflow and infiltration stabilization fund is reported as unrestricted net position in the water and sewer enterprise fund.

**NOTE 17 RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town provides health insurance through its participation in the West Suburban Health Group (Group), a non-profit trust comprised of 11 towns, one school district and two educational collaboratives. The Town recognizes the cost of providing health insurance by recording its share (depending on the plan, contribution rates range between 50% and 90%) of insurance premiums paid to the Group in the general fund in the fiscal year paid. The purpose of the Group is to pay medical claims of its members' employees and their covered dependents. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town participates in a premium-based workers' compensation plan. In prior years, the Town was self-insured for workers' compensation and is liable for the payment of certain claims from those periods. The claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type. The estimated liability at June 30, 2019 totaled \$51,722.

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
2018	\$ 208,806	\$ 450,594	\$ (611,344)	\$ 48,056
2019	48,056	659,295	(655,629)	51,722

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 18 OPERATING LEASES**

**Lessee**

The Town is committed under an operating lease for the golf course land, a modular building used as a clubhouse, and an administrative building at the golf course. During fiscal year 2019, the Town paid approximately \$74,000 related to these leases, which is accounted for in the golf course enterprise fund. Future minimum lease payments for the next five years are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
2020	\$ 77,479
2021	79,803
2022	82,197
2023	84,663
2024	87,203

**NOTE 19 TAX ABATEMENTS**

The Town has entered into a property tax abatement agreements with local businesses under the Massachusetts Economic Development Incentive Program (EDIP). The EDIP gives companies state and local tax incentives in order to foster job creation and stimulate business growth through the Town.

The Town negotiates property tax abatement agreements on an individual basis. As of June 30, 2019, the Town had a tax abatement agreement with 1 entity which received abatements in fiscal year 2019. The Town's policy is to disclose individual tax abatement agreements in which the amount abated exceeded 10% of the total abatements made by the Town in any given fiscal year.

- 1 Apple Hill Drive – A varying incremental percentage (8% in fiscal year 2019) of property tax abatement to a company related to the construction of a new building and parking garage which is expected to result in the creation of additional jobs for residents of Natick. The total abatement for fiscal year 2019 amounted to approximately \$20,000.

**NOTE 20 COMMITMENTS**

The Town has entered into, or is planning entering into, contracts totaling approximately \$138,000,000 for various capital projects.

Significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$11,421,675 at June 30, 2019.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 21 CONTINGENCIES**

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2019.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) through June 30, 2019, these programs are still subject to financial and compliance audits by federal agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 22 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is evaluating the Statement's future impact on the basic financial statements. In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the effective date of this standard one year.

Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management is evaluating the Statement's future impact on the basic financial statements. In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the effective date of this standard one year.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements. In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the effective date of this standard one year.

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements. In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the effective date of this standard one year.

Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 23 SUBSEQUENT EVENTS**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

During the period from January 1, 2020 through May 12, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended June 30, 2019 as these events occurred subsequent to year-end and are still developing.

**TOWN OF NATICK, MASSACHUSETTS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2019**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 111,761,268	\$ (1,421,190)	\$ 110,340,078
Motor Vehicle and Other Excise Taxes	-	5,903,000	-	5,903,000
Hotel/Motel Tax	-	1,486,000	-	1,486,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	35,950	-	35,950
Trash Disposal	-	965,000	-	965,000
Intergovernmental	-	15,098,814	-	15,098,814
Special Assessments	-	2,900	-	2,900
Penalties and Interest on Taxes	-	394,350	-	394,350
Licenses and Permits	-	3,204,959	-	3,204,959
Fines and Forfeitures	-	200,000	-	200,000
Departmental and Other	-	2,084,000	-	2,084,000
Investment Income	-	439,075	-	439,075
Total Revenues	-	141,575,316	(1,421,190)	140,154,126
<b>EXPENDITURES</b>				
Current:				
General Government	4,242,828	7,864,147	(317,555)	11,789,420
Public Safety	2,152,172	15,909,166	1,436,613	19,497,951
Education	705,213	66,949,518	1,381,802	69,036,533
Public Works	2,077,370	11,478,085	3,823,259	17,378,714
Health and Human Services	31,687	2,081,685	28,508	2,141,880
Culture and Recreation	248,785	464,766	18,227	731,778
Library	-	2,429,302	57,987	2,487,289
Pension Benefits	-	9,416,416	-	9,416,416
Employee Benefits	84,160	15,826,586	25,000	15,935,746
Property and Liability Insurance	-	756,237	5,243	761,480
State and County Charges	-	1,435,887	-	1,435,887
Debt Service:				
Principal	-	8,553,371	(700,000)	7,853,371
Interest	-	3,692,848	(994,125)	2,698,723
Total Expenditures	9,542,215	146,858,014	4,764,959	161,165,188
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(9,542,215)	(5,282,698)	(6,186,149)	(21,011,062)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	2,472,872	5,826,150	8,299,022
Transfers Out	-	(270,000)	(3,628,345)	(3,898,345)
Total Other Financing Sources (Uses)	-	2,202,872	2,197,805	4,400,677
<b>NET CHANGE IN FUND BALANCE</b>	(9,542,215)	(3,079,826)	(3,988,344)	(16,610,385)
Fund Balance - Beginning of Year	26,586,273	26,586,273	26,586,273	26,586,273
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 17,044,058</u>	<u>\$ 23,506,447</u>	<u>\$ 22,597,929</u>	<u>\$ 9,975,888</u>

See accompanying independent auditors' report

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 110,895,858	\$ -	\$ 110,895,858	\$ 555,780
5,695,535	-	5,695,535	(207,465)
1,495,581	-	1,495,581	9,581
451,374	-	451,374	451,374
37,772	-	37,772	1,822
1,130,631	-	1,130,631	165,631
15,289,582	-	15,289,582	190,768
3,676	-	3,676	776
333,529	-	333,529	(60,821)
2,992,077	-	2,992,077	(212,882)
104,982	-	104,982	(95,018)
2,177,887	-	2,177,887	93,887
1,171,264	-	1,171,264	732,189
141,779,748	-	141,779,748	1,625,622
7,280,968	3,223,269	10,504,237	1,285,183
17,639,562	1,625,182	19,264,744	233,207
67,522,993	1,467,749	68,990,742	45,791
12,027,238	4,967,370	16,994,608	384,106
1,884,459	35,177	1,919,636	222,244
676,614	52,928	729,542	2,236
2,357,015	50,000	2,407,015	80,274
9,410,887	-	9,410,887	5,529
14,919,431	-	14,919,431	1,016,315
742,467	-	742,467	19,013
1,507,563	-	1,507,563	(71,676)
7,058,069	-	7,058,069	795,302
2,349,863	-	2,349,863	348,860
145,377,129	11,421,675	156,798,804	4,366,384
(3,597,381)	(11,421,675)	(15,019,056)	5,992,006
8,299,022	-	8,299,022	-
(3,898,345)	-	(3,898,345)	-
4,400,677	-	4,400,677	-
803,296	(11,421,675)	(10,618,379)	5,992,006
26,586,273	-	26,586,273	-
\$ 27,389,569	\$ (11,421,675)	\$ 15,967,894	\$ 5,992,006

See accompanying independent auditors' report

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS  
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1)**

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<b><u>Total Pension Liability</u></b>					
Service Cost	\$ 5,482,468	\$ 5,301,943	\$ 5,429,806	\$ 5,188,204	\$ 4,356,464
Interest	16,437,703	15,769,556	15,447,268	14,755,592	14,119,172
Change of benefit terms	1,069,358	-	-	-	-
Difference between expected and actual experience	(355,337)	-	(6,720,520)	-	(1,454,889)
Change in Assumptions	3,166,781	-	5,039,423	-	12,691,909
Benefit Payments, including refunds of member contributions	(12,929,821)	(11,454,990)	(10,959,421)	(10,966,687)	(9,618,947)
Net Change in Total Pension Liability	12,871,152	9,616,509	8,236,556	8,977,109	20,093,709
Total Pension Liability - Beginning	223,866,546	214,250,037	206,013,481	197,036,372	176,942,663
Total Pension Liability - Ending (a)	<u>\$ 236,737,698</u>	<u>\$ 223,866,546</u>	<u>\$ 214,250,037</u>	<u>\$ 206,013,481</u>	<u>\$ 197,036,372</u>
<b><u>Plan Fiduciary Net Position</u></b>					
Contributions - Employer	\$ 9,861,204	\$ 9,216,080	\$ 8,613,159	\$ 8,049,681	\$ 7,453,409
Contributions - Member	3,688,209	3,576,132	3,398,502	3,243,263	3,343,806
Other Additions	21,030	108,370	168,464	98,464	186,892
Net Investment Income (Loss)	(5,663,414)	18,985,941	10,160,090	129,562	7,758,262
Benefit Payments, including refunds of member contributions and net of transfers (to)/from other systems	(12,929,821)	(11,454,990)	(10,959,421)	(10,966,687)	(9,695,103)
Administrative Expense	(263,733)	(285,939)	(238,498)	(232,122)	(261,086)
Net Change in Plan Fiduciary Net Position	(5,286,525)	20,145,594	11,142,296	322,161	8,786,180
Plan Fiduciary Net Position - Beginning	147,867,397	127,721,803	116,579,507	116,257,346	107,471,166
Plan Fiduciary Net Position - Ending (b)	<u>\$ 142,580,872</u>	<u>\$ 147,867,397</u>	<u>\$ 127,721,803</u>	<u>\$ 116,579,507</u>	<u>\$ 116,257,346</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 94,156,826</u>	<u>\$ 75,999,149</u>	<u>\$ 86,528,234</u>	<u>\$ 89,433,974</u>	<u>\$ 80,779,026</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.23%	66.05%	59.61%	56.59%	59.00%
Covered Payroll	\$ 37,326,353	\$ 37,421,956	\$ 35,896,695	\$ 34,773,489	\$ 33,191,253
Net Pension Liability as a Percentage of Covered Payroll	252.3%	203.1%	241.0%	257.2%	243.4%

(1) Data is being accumulated annually to present 10 years of the reported information



**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
NATICK CONTRIBUTORY RETIREMENT SYSTEM**

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 9,861,204	\$ 9,216,080	\$ 8,613,159	\$ 8,049,681	\$ 7,453,409
Contributions in Relation to the					
Actuarially Determined Contribution	9,861,204	9,216,080	8,613,159	8,049,681	7,453,409
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 37,306,564	\$ 36,219,965	\$ 35,165,015	\$ 34,140,791	\$ 33,146,399
Contributions as a Percentage of Covered Payroll	26.43%	25.44%	24.49%	23.58%	22.49%

(Continued)

	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 6,901,304	\$ 6,390,096	\$ 5,916,756	\$ 5,661,968	\$ 5,418,151
Contributions in Relation to the					
Actuarially Determined Contribution	6,901,304	6,390,096	5,916,756	5,661,968	5,418,151
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 32,180,970	\$ 27,627,175	\$ 27,627,175	\$ 27,627,175	\$ 25,775,476
Contributions as a Percentage of Covered Payroll	21.45%	23.13%	21.42%	20.49%	21.02%

(Concluded)

**SCHEDULE OF INVESTMENT RETURNS  
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1)**

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-4.86%	15.91%	16.03%	9.53%	0.76%	8.01%

(1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1) (2)**

	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	98.5073%	98.5073%	98.5073%	98.5390%	98.5390%
Town's Proportionate Share of the Net Pension Liability	\$ 92,810,672	\$ 74,864,697	\$ 85,236,612	\$ 88,127,308	\$ 79,598,815
Town's Covered Payroll	\$ 36,606,405	\$ 36,714,811	\$ 35,218,565	\$ 34,773,489	\$ 32,532,514
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	253.54%	203.91%	242.02%	253.43%	244.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.23%	66.05%	59.61%	56.59%	59.00%

(1) Amounts presented were determined as of December 31

(2) Data is being accumulated annually to present 10 years of the reported information

**SCHEDULE OF TOWN CONTRIBUTIONS  
NATICK CONTRIBUTORY RETIREMENT SYSTEM**

	2019	2018	2017	2016	2015
Actuarially Required Contribution	\$ 9,720,219	\$ 9,078,510	\$ 8,484,589	\$ 7,932,072	\$ 7,344,512
Contributions in Relation to the Actuarially Required Contribution	9,720,219	9,078,510	8,484,589	7,932,072	7,344,512
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 36,187,367	\$ 36,299,297	\$ 35,218,565	\$ 35,218,565	\$ 31,672,428
Contributions as a Percentage of Covered Payroll	26.86%	25.01%	24.09%	22.52%	23.19%

(Continued)

	2014	2013	2012	2011	2010
Actuarially Required Contribution	\$ 6,793,586	\$ 6,290,358	\$ 5,826,520	\$ 5,575,618	\$ 5,335,519
Contributions in Relation to the Actuarially Required Contribution	6,793,586	6,290,358	5,826,520	5,575,618	5,335,519
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 31,672,428	\$ 26,953,209	\$ 26,953,209	\$ 25,138,776	\$ 25,138,776
Contributions as a Percentage of Covered Payroll	21.45%	23.34%	21.62%	22.18%	21.22%

(Concluded)

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1) (2)**

	2019	2018	2017	2016	2015
Town's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the Town's Net Pension Liability	133,510,676	125,563,486	119,659,447	108,153,939	82,844,322
Net Pension Liability	<u>\$ 133,510,676</u>	<u>\$ 125,563,486</u>	<u>\$ 119,659,447</u>	<u>\$ 108,153,939</u>	<u>\$ 82,844,322</u>
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	54.84%	54.25%	52.73%	55.38%	61.64%

- (1) Amounts presented were determined as of June 30 of the prior year  
(2) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULES**

**SCHEDULE OF CHANGES IN THE TOWN'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS (1) (2)**

<u>Total OPEB Liability</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 7,871,729	\$ 7,642,455
Interest	7,116,253	6,768,403
Difference Between Expected and Actual Experience	(14,972,720)	-
Changes of Assumptions	(6,800,032)	-
Benefit Payments	<u>(4,923,643)</u>	<u>(4,923,643)</u>
Net Change in Total OPEB Liability	(11,708,413)	9,487,215
 Total OPEB Liability - Beginning	 <u>193,368,115</u>	 <u>183,880,900</u>
 Total OPEB Liability - Ending	 <u><u>\$ 181,659,702</u></u>	 <u><u>\$ 193,368,115</u></u>
 Covered Payroll	 \$ 77,754,826	 \$ 74,142,906
 Total OPEB Liability as a Percentage of Covered Payroll	 233.63%	 260.80%

(1) Amounts presented were determined as of June 30 of the prior year

(2) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**NOTE A BUDGETARY – GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2019 is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 141,779,748	\$ 156,798,804	\$ 4,400,677	\$ 15,967,894
<u>Adjustments and Reclassifications</u>				
To record 60-day receipts	85,011	-	-	529,684
To record tax refunds payable	(9,909)	-	-	(719,495)
To record MWPAT debt service subsidy	1,796	1,796	-	-
To record MTRS on-behalf payments	13,529,374	13,529,374	-	-
To record encumbrances and continuing appropriations	-	(11,421,675)	-	11,421,675
<u>Reclassifications</u>				
To reclassify the stabilization fund to the general fund for GAAP purposes	86,341	-	250,000	4,906,644
To reclassify the capital stabilization fund to the general fund for GAAP purposes	134,902	-	(3,411,150)	4,759,838
To reclassify the operating stabilization fund to the general fund for GAAP purposes	226,461	-	500,000	3,796,956
To reclassify the OPEB fund to the general fund for GAAP purposes	222,622	-	441,723	3,948,306
To reclassify the FAR stabilization fund to the general fund for GAAP purposes	100,322	-	-	2,625,288
To reclassify the technology stabilization fund to the general fund for GAAP purposes	5,042	-	-	7,011
GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 156,161,710</u>	<u>\$ 158,908,299</u>	<u>\$ 2,181,250</u>	<u>\$ 47,243,801</u>

**NOTE B PENSION PLAN**

*Changes of assumptions.* Amounts reported in 2019 reflect an adjustment of the discount rate from 7.375% to 7.25%.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**NOTE C SCHEDULE OF EMPLOYER CONTRIBUTIONS (PENSION)**

The following methods and assumptions were used to determine the most recent actuarially determined contribution rates for the pension plan:

Valuation Date	January 1, 2017
<u>Assumptions:</u>	
Salary Increases	Based on years of service. Ranges from 6.00% decreasing to 4.00% after 11 years of service for Group 1 employees, from 6.00% decreasing to 4.25% after 11 years of service for Group 2 employees; and from 7.00% decreasing to 4.50% after 11 years of service for Group 4 Employees
Investment Rate of Return	7.375%, net of investment expense, including inflation
Inflation Rate	3.25%
Cost of Living Adjustment	3% of first \$12,000
Mortality	Healthy Participant - The RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally with Scale MP-20162D
	Healthy Retiree - The RP-2014 Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-20162D
	Disabled Retiree - The RP-2014 Blue Collar Health Annuitant Mortality Table set forward one year projected generationally using Scale MP-2016 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015)

**NOTE D OTHER POSTEMPLOYMENT BENEFITS**

*Changes of assumptions.* Amounts reported in 2019 reflect an adjustment of the discount rate from 3.58% as to 3.87%. Additionally, amounts reported in 2019 reflect an adjustment from RP-2000 mortality tables to RP-2014 mortality tables.

